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AGRICULTURAL FINANCE REVIEW

Vol. 3 November 1940 No. 2

A SEMI-ANNUAL REVIEW OF CURRENT DEVELOPMENTS AND RESEARCH IN THE FIELD OF FARM CREDIT, FARM INSURANCE, AND FARM TAXATION

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON, D.C.

LIST OF AVAILABLE PUBLICATIONS AND REPORTS, RELATED TO AGRICULTURAL FINANCE, PREPARED IN THE BUREAU OF AGRICULTURAL ECONOMICS

Title	Series and number	Date issued
Printed Bulletins		
The Farmers' Tax Problem	House Document No. 406, 73d Congress 2d Session	1934
Agricultural Loans of Commercial Banks	U.S.D.A. Tech. Bul. 521	1936
Federal Seed-Loan Financing and its Relation to Agricultural Rehabilitation and Land Use	" " " 539	1936
Demand Deposits of Country Banks	" " " 575	1937
Farmer Bankruptcies, 1898-1935	" Cir. 414	1936
A Graphic Summary of Farm Taxation	" Misc. Pub. 262	1937
A Graphic Summary of Agricultural Credit	" " " 268	1938
A Suggested Plan for Cotton-Crop Insurance	House Document No. 277, 76th Congress 1st Session	1939
Economic Justification for Certain Salient Provisions of the Regulations, Application, and Policy for Wheat Crop Insurance	U.S.D.A. Gen. Info. No. 2	1938
Bulletins Published in Cooperation with State Experiment Stations		
Farm Credit in North Carolina - Its Cost, Risk and Management	N.C. State Exp. Sta. Bul. No. 270	1930
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Average Rates of Interest Charged on Farm-Mortgage Recordings of Selected Lender Groups		Nov. 1940
Lender Distribution of Farm-Mortgage Recordings		Nov. 1940
Average Size of Farm-Mortgage Recordings of Selected Lender Groups		Nov. 1940
Agricultural Finance Review, Vol. I, Nos. 1 and 2, Vol. II, Nos. 1 and 2, Vol. III, No. 1		1938-40

For list of articles in previous issues of the Agricultural Finance Review, see inside of back cover.

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FARM-MORTGAGE RECORDINGS

The Bureau of Agricultural Economics has recently released three publications entitled "Lender Distribution of Farm-Mortgage Recordings," "Average Rates of Interest Charged on Farm-Mortgage Recordings of Selected Lender Groups," and "Average Size of Farm-Mortgage Recordings of Selected Lender Groups."

These publications present data by States, geographic divisions, and the United States for the period 1917-35. In addition, the first two of these publications, as listed above, also present geographic-division and United States data for the years 1910-16.

Copies may be obtained, without charge, by writing to the Bureau of Agricultural Economics.

XUM

JAN 21 1941

CONTENTS

		Page
Agricultural Finance in the County Planning Program	Norman J. Wall	1
Some Causes of Farm Tax Delinquency	Joseph Rosa	7
Personal Property Taxation and the Farmer	Gerhard J. Isaac	15
National Defense and Farm Taxes	Donald Jackson	20
Personal and Automobile Insurance Carried by Rural and Urban Groups	Allan J. Fisher	22
Determining Farm-Mortgage Risk	C. D. Kinsman	34
Holding Surplus Farm Products with Government Credit	George Y. Jarvis	42
Farm-Mortgage Debt at Lowest Level in 22 Years		56
Little Change in Farm-Mortgage Holdings of Life Insurance Companies		59
Federal Land Bank and Land Bank Commissioner Loan Delinquency		61
Small Increase in Agricultural Loans Held by Commercial Banks, 1939-40		64
Farm Real Estate Taxes in 1939		67
Farm Real Estate Holdings of Most Lending Agencies Decline		67
Federal Wheat Crop Insurance		69
Book Reviews		73
Bibliography		78
Statistical Appendix		90

AGRICULTURAL FINANCE REVIEW

Vol. 3 November 1940 No. 2

JAN 21 1941

AGRICULTURAL FINANCE IN THE COUNTY PLANNING PROGRAM

NORMAN J. WALL, Head, Division of Agricultural Finance

With the rapid expansion of county planning activities, local committees are encountering with increasing frequency problems relating to farm credit and farm taxation. In some areas it is evident that overindebtedness, high tax rates, improper assessment, and tax delinquency are in themselves major agricultural problems requiring adjustment. In other areas the local committees have found land-use problems related to credit and taxation and are coming to realize that feasible recommendations for land-use adjustments must be based on a more complete understanding of the bearing of credit and taxation upon land use. There is increasing recognition that the practicability of programs for improving land use or governmental services often rests on the possibility of adjusting private and public debt structures and of altering the conditions responsible for such situations.

As county planning extends beyond the preliminary inventory of county resources and the preliminary delineation of the problems faced in each community, particular aspects of agricultural credit and farm taxation become of increasing importance in planning for specific local adjustments. Land-use patterns, standards of living, and the credit and tax structure are often interwoven. Good or bad conditions in one may be reflected in the others. Various adjustments, such as the attaining of types and sizes of family farms adapted to the particular area, assisting tenants toward ownership, encouraging soil and range conservation practices and farm forestry, and promoting better water utilization may depend largely upon the availability for such purposes of credit and local government and public finance facilities, and upon their proper use. In some cases the programs suggested would so alter the debt structure of farmers and the public finance arrangements of local communities that the financial risks and costs involved may make it necessary to alter these recommendations.

In order that the joint efforts made in county and State may be best utilized in solving agricultural finance problems, there is need for a continuing review of such problems and the methods adopted for their solution. In the limited space available for this discussion, it will be the purpose to present a brief outline of some of the problems encountered in developing the agricultural finance aspects of the county planning program.

CREDIT

One of the more important tasks to be undertaken in the county planning program is that of familiarizing the various lending agencies, operating in the territory, with the aims and objectives of the county planning program. If local lending agencies are con-

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vinced of the soundness of the program, they can be of material assistance through their loan and collection policies in solving certain of the problems outlined by the county committee. Likewise, the need of fully informing the community as to the availability of credit facilities and the purposes of the rules and regulations under which credit is available is very important. Frequently what is considered a lack of credit for specific purposes represents a lack of acquaintance with existing facilities. It may also represent a misunderstanding of the limitations with respect to the type of credit needs which can be safely financed, limitations that are necessary if these credit sources are to accomplish other recognized desirable objectives.

The Bureau of Agricultural Economics has just completed a series of meetings in the 12 Farm Credit Administration districts to acquaint the officials of the various agencies operating under the supervision of the Farm Credit Administration with the origin, development, and objectives of the county land-use planning program. The meetings have included discussions by the State BAE representatives showing how the program is actually operating in certain of the counties. Such meetings have resulted in a useful exchange of information between Farm Credit Administration officials and county planning workers. The response indicates the desirability of extending this type of work to the local units supervised by the Farm Credit Administration; namely, the national farm loan associations and the production credit associations.

The interest of the Farm Credit Administration in the county land-use program was aptly summarized in a statement prepared by Dr. C. W. Warburton, Deputy Governor of the Farm Credit Administration, which was presented at the New Orleans meeting. Dr. Warburton said in part:

> "Every phase of farm credit activity is concerned in one way or another with land use. The Farm Credit Administration, therefore, has a definite interest in land-use planning activities and has much to gain from any effort that promotes better use of our natural resources. Good land use, of course, involves much more than merely good soil management. As we think of land use, we have in mind the management of land, water, crops, and livestock, to bring the best returns in income, conservation, and a satisfying rural life, both now and in the years to come. Changes in land use not only affect the land and the people living on the land, but the necessity for public services such as roads and schools. An active county land-use planning committee sooner or later will consider practically every factor affecting rural life.
>
> "Farm credit agencies have much to gain from the work of state and county land-use planning committees; they also have much to contribute. Their broad experience in a wide variety of agricultural credit operations enables them to furnish factual information which will be very useful to the committees in developing their findings and recommendations. When the recommendations are formulated, farm credit agencies often can provide credit facilities to aid individuals or groups in putting them into effect."

The active support of local commercial banks is likewise needed to increase the effectiveness of the planning program. In many counties, local bankers serve on the planning committee. Because of their wide knowledge of local financial conditions and their importance as a source of credit for farmers, country bankers can contribute much to local planning activities. There is also need for close working relationships between the State agricultural college, Extension Service, and experiment station, and the State and regional associations of bankers.

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The American Bankers Association during the past year has established an Agricultural Credits Division to develop an improved loan service by country banks. This organization is keenly interested in the county planning program and may be counted upon for active cooperation in working with the various State bankers associations. With the large volume of loanable funds available to country banks, these institutions have an incentive to increase their income through the expansion of their local agricultural loans. If country bank loans are made for sound productive uses, their expansion may do much to improve the income and economic status of farmers who can utilize such credit.

The Farm Security Administration has pioneered in making a type of cooperative loan for low-income farmers for such purposes as advances for the cooperative ownership of purebred sires, power equipment, harvesting machinery, and other capital equipment. This type of credit is worthy of consideration also for use in financing groups of farmers at a higher income level. Country banks and banks for cooperatives can materially assist the movement if county committees take an active part in developing the initial plans.

The need of familiarizing farmers with the availability of existing credit facilities has been stressed by the county planning committee of Kent County, Maryland. Its proposal for the current year includes the following:

> "The committee plans to bring together, in mimeographed form for distribution, statements regarding the various sources and kinds of loans with the purposes for which they may be used, interest rates, period of the loans, repayment plans, etc., so that wider use may be made of the agencies and forms of credit. The material will also discuss advantages of the amortized long-term mortgages as compared with the short-term or call mortgages."

In Dallas County, Iowa, a county forum was sponsored by the county land-use planning committee and was attended by some 250 persons. A panel discussion on credit problems was held in which the president of the Omaha Production Credit Corporation, the local production credit association secretary, local Farm Security Administration supervisor, and two bankers participated.

The importance of credit problems has been recognized by 14 county committees in Iowa. As a result, research work is contemplated by the State Experiment Station to be carried on in 4 counties and an effort will be made to study production credit problems and how such credit can meet the needs of farmers. The State planning committee in Iowa has also created a sub-committee, the functions of which will be to study credit problems and assist county committees. Numerous counties in various States have likewise appointed sub-committees to give consideration to credit problems.

Although the credit problems will vary almost from farm to farm, one or more of the following questions may profitably be considered by nearly all county committees:

(1) To what extent may sound land-use programs require more or less credit than is being currently used?

(2) What is the long-run debt-carrying capacity of lands devoted to various uses?

(3) In what directions should credit be expanded or contracted?

(4) To what extent may additional credit profitably be used to expand cooperative marketing or purchasing associations?

(5) To what extent may low-income farmers be helped by emergency and rehabilitation credit?

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(6) To what extent may debt adjustment prove advantageous to both borrowers and lenders and contribute to better land use?

(7) To what extent may the cost of loans be reduced through budget planning and other improvements in credit practices?

(8) By what means may the availability of credit be assured and the repayment terms of loans be better adapted to farmers' needs?

FARM TAXATION AND LOCAL GOVERNMENT

Many county land-use planning committees already have encountered various problems in the field of taxation and local government which call for adjustment. Consideration of these problems and possible solutions will be facilitated if farmers and other citizens study the functioning and cost of their local government and participate in the discussions. Only in this way can there be assurance that the final recommendations of the committee will be representative of the views of the community.

The local tax system represents the decision of the community as to the manner of financing the services which it as a group desires to receive from its government. The services to be rendered by local government, likewise, are decided upon by the community. Obviously, within many communities there will be wide divergence of opinion both as to the services that should be provided by government and as to the proper manner of financing those services.

In deciding what services the local government is to provide, it is necessary to consider what services are worth having under the economic conditions which exist at the time. Which services seem worthwhile will depend mostly on their cost. Nearly every one of the activities which is thought of as a service is worthwhile if it can be obtained cheaply enough.

At the present time, however, planning committees are finding that some farm communities are restricted in their choices because of the situation in which their local government and some of their taxpayers are found. Both governments and individuals, because of debt or other obligations, may be subject to a burden of fixed charges which are difficult to meet out of current incomes. Governmental units cannot make adjustments as readily as can individual farmers. It is apparent, however, that there are local communities where changes in services, taxes, and the organization and operation of local government are necessary in order to meet changed conditions.

Many of the recommendations that have been made by planning committees to date involve farm assessment and reorganization of local governmental services. In numerous cases, specific action has been taken to bring about readjustments in the tax situation. This has been particularly true in the States of North Dakota, South Dakota, Montana, and Wyoming. In some instances taxes on grazing land have been lowered relative to taxes on land suitable for crops. County commissioners and assessors are becoming increasingly interested in distributing taxes more in accordance with the productivity of the land.

One of the interesting suggestions for the readjustment of tax burden is that suggested for Teton County, Montana. The county committee stated its views on this subject as follows:

> "If taxes are applied equitably they do not represent an obstacle to achievement of objectives of land use, conservation, etc., but if unequitable they retard achievement of needed adjustments. Problems in taxation are:

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Determining land values in accordance with productive capacity; classification of lands according to productive capacity; and making desirable shifts in taxation as shifts in land use are made.

"With the detailed reclassification of lands in Teton County, and the use of same for taxation purposes, the taxation objectives may be achieved.

"1. Proposed Action on Taxation Problems

"a. That the county Land Reclassification Board continue reclassification, check all early work, particularly in the Western area, and check special cases as problems arise.

"b. That 6th, 7th, and 8th grade plow lands now in sod be given a suitable grazing classification.

"c. That shifts in taxation be made where necessary to correspond with desirable shifts in land use.

"d. That in 1940 a start be made toward adjusting land valuations more in line with productive capacities."

A serious tax problem in many areas is that of tax delinquency. After analyzing this situation in the State of New York, the New York State Agricultural Land-Use Planning Committee made the following report:

"There has been a rapid increase in tax delinquency during recent years in most counties in New York State. This committee realizes that lack of income and inability to pay are largely responsible for this increase. At the same time, however, little is known concerning the amounts of delinquent taxes, the factors affecting them, and the most desirable measures for meeting the problem effectively. Consequently, this committee recommends:

"That the State College of Agriculture, the State Tax Commission, and the State Planning Council develop a coordinated program of research projects to study the amounts and trends, the delinquent taxes, and the factors affecting them to the end that the public may be better informed as to how to deal with the delinquency problem."

The questions raised by the county committee relative to taxation and local government require study of the facts of the situation which can be assembled by local groups provided they have a certain amount of technical assistance. In general, the various questions that county committees may wish to answer in this respect will include the following:

(1) What are the facts as to the amount of taxes paid by farmers in the community?

(2) What are the facts as to the cost of government services in the community?

(3) Do particular services cost more than they are worth?

(4) Are additional community services needed?

(5) Are the present methods of assessment and the resulting distribution of local government costs contributing to sound land use?

(6) What reductions in costs or increase in efficiency can be obtained through reorganization of community services?

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AGRICULTURAL INSURANCE

Farming constitutes one of the most hazardous of all major business enterprises. Few, if any, other important industries are as dependent on uncontrollable factors as agriculture. Adverse weather, for example, is a major farm hazard. Other serious farm losses may arise from fire, personal accident, or loss of livestock. Farm fire losses alone in the United States have been estimated to be about $100,000,000 annually.

Many of the hazards with which the farmer is faced cannot be controlled. Others, like farm fires, frequently can be eliminated or reduced by proper safeguards. For many of those risks which cannot be reduced by preventative measure, some form of insurance is usually available.

Problems relating to agricultural insurance have as yet been mentioned but infrequently by the county committees. County committees in Massachusetts and Florida have called attention to the high cost of fire insurance available to farmers. Several committees have mentioned the need for crop insurance coverage for specific crops other than wheat, which is the only crop for which Federal crop insurance is now available. There are, however, numerous questions relating to agricultural insurance and farm hazards that might well be considered in the planning program. Included among them are:

(1) What types of insurance coverage are available to meet the farm hazards of the community?

(2) What additional types of insurance are needed?

(3) Are farmers using the available insurance facilities?

(4) Are the costs of available insurance reasonable?

(5) What can be done to reduce costs of insurance?

(6) How can farm hazards and risks be reduced?

CONCLUSION

The field of county planning includes all aspects of farming and farm family living. The problems here involved must be considered from many different angles if the objectives of the program are to be attained. The vital part that credit, taxation, and insurance play in the organization and operation of farms makes these items essential elements of any successful agricultural program. Progress towards the goals of the planning program will be most rapid if there is continued cooperation among farmers and the loan and credit agencies serving their needs, local taxpayers' associations, parent-teacher associations, and other civic groups, together with the active participation of State and Federal agencies.

Rural Electrification Administration Loans.-- Total loans outstanding increased by 20 percent during the first 6 months of 1940, from $183,243,000 on January 1, 1940 to $219,621,000 on July 1, 1940. Of the latter amount, 93.8 percent was outstanding to cooperatives, 4.8 percent to public bodies, and 1.4 percent to private utilities.

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SOME CAUSES OF FARM TAX DELINQUENCY

JOSEPH ROSA, Associate Agricultural Economist

Tax delinquency is an aspect of the property tax on which there has been but meager information. In recent years here and there some efforts have been made to fill this gap, and as another step in that direction, the Bureau of Agricultural Economics has been making estimates of farm property tax delinquency for several States covering varying periods of 9 to 15 years. A partial analysis of these estimates has been made with a view to obtaining information on the causes of tax defaults. The following discussion deals with the results of this analysis, pointing out in particular the possible causal relationship between farm tax defaults and the factors contributing to delinquency. Largely because of absence of sufficient data, however, the discussion dealing with the different factors varies in emphasis, with the major share of the attention being devoted to the tax levy, cash farm income, public expenditures and the size of the tax base, and the lesser share to taxpaying attitudes, tax collection procedures, and to farm expenditures other than for taxes.

TAX DELINQUENCY IN RELATION TO FARM INCOME AND THE TAX LEVY

That there may be a causal relationship between cash farm income and farm property tax delinquency is suggested by the assumption that if the property owner is to pay his taxes, he must have current cash receipts. Farmers as a group have very little income from sources other than farming; on the average probably more than 80 percent of their income is from farming. In view of this dependence of the farmers on farm income, therefore, it should be fairly safe to assume that there would be some relationship between farm property tax payment and cash farm income. In determining whether there is such a relationship, a convenient method is to compare time series for these two factors. A third factor, the tax levy, however, also needs to be taken into consideration in this comparison, for if cash farm income affects tax payments, a change in the level of income in one direction should influence delinquency in the same way as a change in the opposite direction in the level of the tax levy. Actually, a decrease in income may not have exactly the same effect as an increase in taxes. Up to a certain point, which may vary with the community, an increase in taxes may not be reflected in the delinquency figures because taxpayers may pay their taxes on time either as a matter of custom or in order to avoid the various charges incident to tax delinquency.

For convenience of comparison the changes both in cash farm income and taxes may be expressed as one series by dividing the tax levy on farm property by the cash income from this property. The resulting ratio, which hereafter will be referred to as the current tax load, expresses the weight of the current taxes on the farmers in relation to their current cash income, and therefore has the advantage of making this weight fairly comparable from year to year.

In comparing the two series, the current tax load and the ratio of delinquent taxes to tax levy, it would be expected that, if there is a relationship between the two, in the course of several years they would follow the same general trend. That there is an apparent relationship between current tax load and current tax delinquency is seen in figure 1.[1]

[1] The estimate of current tax delinquency for the United States is based upon individual estimates for 16 States representing the various geographic divisions and about 40 percent of the farm real property taxes levied in the country.

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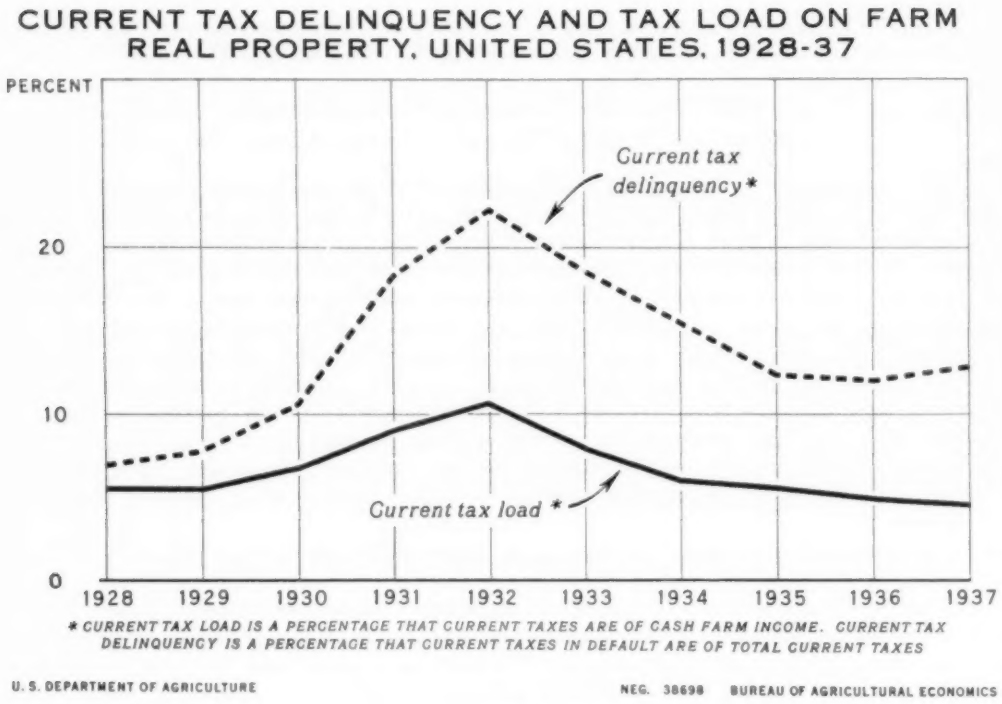

FIGURE 1.

This relationship, however, appears only with respect to the general contour of the two curves, for there is considerable difference in the rapidity with which these curves change. From 1928 to 1932 current defaults on farm property taxes increased by 222 percent as compared with an increase of only 93 percent in the current tax load. Then from 1932 to 1934 there was a decrease of 49 percent in delinquency, while in the current tax load it was 55 percent.

One inference to be drawn from the curves in figure 1 is that cash farm income and the level of the property tax both influence defaults on the property tax. More significant, however, is the inference that there is a point in the current tax load beyond which tax delinquency increases faster than the current tax load. Another suggestion here is that once the delinquency level has risen considerably, it tends to stabilize and, even when conditions improve, it fails to return to the lower level from which it originally climbed. If the current tax load were the sole determinant of tax delinquency, this difference in the behavior of the two curves between the upgrade (1928 to 1930) and the downgrade (1935 to 1937) would not exist.

CURRENT TAX DELINQUENCY BY STATES

Compilations and comparisons similar to those represented in figure 1 have been made individually for thirteen States, six of which are represented in figure 2.

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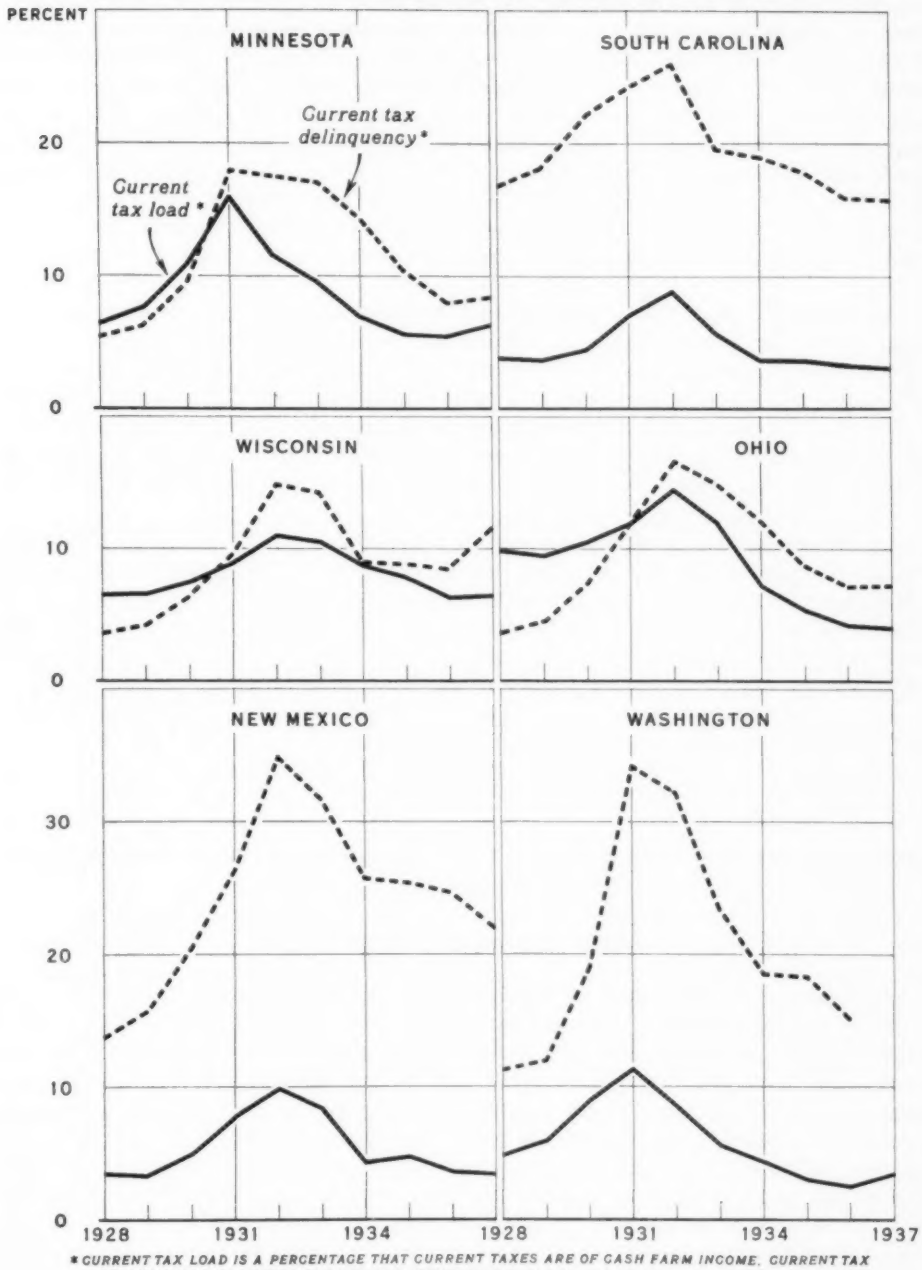
CURRENT TAX DELINQUENCY AND TAX LOAD ON FARM REAL PROPERTY, SIX STATES, 1928-37



*CURRENT TAX LOAD IS A PERCENTAGE THAT CURRENT TAXES ARE OF CASH FARM INCOME. CURRENT TAX DELINQUENCY IS A PERCENTAGE THAT CURRENT TAXES IN DEFAULT ARE OF TOTAL CURRENT TAXES

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FIGURE 2.

These thirteen States, including the six in figure 2, represent several types of agricultural conditions, and show a considerable variation from year to year in the degree of apparent relationship between the current tax load and current delinquency. Yet despite these short-term variations, there is an unmistakable similarity in the trends during the course of a 9- or 10-year period. In each of the six States shown in figure 2 the peak, both of the current tax load and current delinquency, falls in the same year, which is 1932 in the case of Wisconsin, Ohio, South Carolina and New Mexico, and 1931 in that of Minnesota and Washington. The difference in the peak years between these two groups of States arises from a difference in the timing of the tax payments. If the data pictured in figure 2 were shown by income years rather than by years of tax levy, the peak both of the current tax load and current delinquency would be at 1932 in all six States.

It appears from figure 1 that between 1928 and 1932 current farm property tax delinquency for the United States as a whole increased more rapidly than the current tax load. The same phenomenon may be observed in each of the six individual States in figure 2, as well as in the seven States not shown here. Likewise, from 1932 on the behavior, of both current delinquency and the current tax load, was similar in each of the individual States to that of the aggregate for the entire United States. That is, in receding from their peaks in 1932, tax delinquency did not decrease as rapidly as the current tax load.

On the assumption that a given tax load has the same effect on tax payment in all States, it might be expected that the greatest increase in delinquency would take place in that State which experienced the greatest increase in tax load. A comparison of the relationships between the current tax load and current delinquency in the different States, however, reveals the fact that this was not the case during the period under investigation. For instance, it was found that the current tax load in Ohio rose from 10 percent in 1928 to 14 percent in 1932, which was an increase of 40 percent, as against an increase of 325 percent in current delinquency during the same period. Compared to this, the rise in the current tax load in South Carolina was from 4 percent in 1928 to 9 percent in 1932, which was an increase of 125 percent, as against an increase of only 53 percent in current delinquency. It may be inferred, therefore, that the relationship which appears to exist between current tax load and tax payment varies with the conditions peculiar to the different States.

HIGH- AND LOW-DELINQUENCY AREAS

Although State aggregates of farm property tax load show some degree of correlation with current tax delinquency, and thus may reveal a fundamental cause of delinquency, they tell little of the seriousness of the problem in particular areas. A high State delinquency rate may hide the fact that a large part of the farming area in the State has no pressing delinquency problem. This was found to be true in several States, indicating that in other parts of these States the problem was so much the greater. Table 1 illustrates this in principle. Here the rural counties of two States, Minnesota and Wisconsin, are classified by percentage of real estate levy falling delinquent during the 7-year period 1931-37. In Minnesota the 29 counties with lowest delinquency levied 46 percent of all real estate taxes in the 76 rural counties, but had only 20 percent of the delinquencies. In contrast, the 42 counties with highest delinquency levied approximately the same amount of real estate taxes (47 percent), but had 74 percent of the delinquencies. The figures for Wisconsin tell the same story. Furthermore, these relationships do not adequately portray the concentration of defaulted taxes. Most studies of farm and other rural real property tax delinquency show that in chronic tax-delinquency areas the levies are usually higher in proportion to full value than in other areas. In table 1 this is illustrated for Wisconsin. Apparently the unequal distribution of the property tax in this State is one of the factors responsible for the large amount of tax defaults in some

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Table 1.- Distribution of current tax levy and delinquency, classified by percentage of current levy delinquent in rural counties in Minnesota and Wisconsin, 1931-37

Percentage of levy delinquent	Minnesota			Wisconsin			
	Counties	Levy	Delinquency	Counties	Full taxable value	Levy	Delinquency
Percent	*Number*	*Percent*	*Percent*	*Number*	*Percent*	*Percent*	*Percent*
0 - 4.99	4	6	2	2	5	4	1
5 - 9.99	25	40	18	16	45	40	23
10 - 14.99	5	7	6	11	27	28	28
15 - 19.99	15	19	19	4	11	11	15
20 - 24.99	9	10	11	4	7	9	15
25 and over	18	18	44	7	5	8	18
Total	*76*	*100*	*100*	*44*	*100*	*100*	*100*

Distribution of State aggregates by political subdivisions, or still better, by parcels, aids in the portrayal of conditions which appear to be always present in particular areas with high tax delinquency. In every State the delinquency problem is more serious in some counties, towns, or districts than in others. Delinquencies among 142 towns surveyed in Michigan, for instance, varied between less than 1 percent and 80 percent at various times between 1928 and 1932.[2] In southwest North Dakota the total rural acreage delinquent in 14 counties at the end of 1936 was 69 percent of all taxable acreage. In one of these counties (Golden Valley), however, it was 44 percent while in another (Sioux) it was 83 percent.[3] If all counties of the State were included in this comparison, the spread between the lowest and highest delinquency ratios would be even wider.

Throughout the country, high-delinquency areas possess certain definite attributes in common which may be grouped under two major headings. One is a shrunken tax base, and the other, high expenditure for public improvements. Essentially, there is no difference between the two in their effect upon delinquency; both spell expenditure beyond the community's means. The shrunken tax base is characteristic of the cut-over counties in the Lake States. Once centers of a thriving industry, these counties now lack sufficient resources to maintain the services which originally were designed to rest on a more prosperous foundation. In the Great Plains, on the other hand, it was not the exhaustion of natural resources but ill-suited land-use practices - farming in a ranch country - which led to the necessity of providing expensive public services such as education and roads. And along the Mississippi River in the South, it is the joint burden of the property tax and drainage assessments which has made for excessive demand on the available resources. One may get an idea of the problem here from the fact that in one of the Arkansas counties (Logan) 97 percent of the 1933 drainage levies were returned delinquent.[4] In all these areas delinquency engenders more delinquency because it shoves the tax burden on to the ever-diminishing tax base.

[2] W. O. Hedrick, Farm Tax Delinquency in Michigan from 1928-1932, Agricultural Experiment Station, Michigan State College of Agriculture and Applied Sciences, East Lansing, Mich., 1935, Sp. Bull. No. 264, p. 27.

[3] Stanley Wilner, Some Data on Taxation and Tax Delinquency of Farm Land in Southwestern North Dakota, North Dakota Agricultural Experiment Station in cooperation with the U. S. Dept. of Agri. and Works Progress Admin., Fargo, N. Dak., 1939, table 3.

[4] C. O. Brannen, Tax Delinquent Real [illegible]

Certain high-delinquency areas in the Lake States and the Great Plains have generally been considered "submarginal" areas. Quite often, however, tax defaults concentrate in other than submarginal areas. An example of this is found in the rural counties in Ohio during the 7-year period 1931-37. In Ohio tax delinquency during this period was not a very serious problem for the rural counties, except those in the submarginal area of the State. There was one exception to this general trend, however. This exception was in Geauga County. For 5 out of the 7 years Geauga County had the distinction of having the highest delinquency among all rural counties in Ohio. The counties with higher delinquency in the other 2 years were all in the submarginal area of southeast Ohio. Geauga is a fairly productive farming county in northeast Ohio, and although surrounded by urban counties, it is one of the most rural of all counties in the State. Why should it deviate in delinquency so much from the other better rural counties and vie with the submarginal ones? Inquiry from local authorities elicits the information that it is due to the high fixed charges for roads incurred before the depression. If so, obviously the problem here is essentially the same as that in the submarginal areas, expenditure beyond the locally available resources.

Besides the county-wide or town-wide causal factors there appear to be others which tend to bring about tax defaults on certain individual parcels and not on others. Analyses of tax delinquency by parcels, both in areas of heavy tax defaults, and in areas where the problem is less serious, have shown that it is more often the poorer tracts and small sized farms which become delinquent. Further analyses have also shown that these tracts usually are assessed higher in proportion to market value than are better lands and larger farms. This practice of unequal assessment has been the subject of investigations for a long time and is among one of the earliest discoveries which taxation analysts unearthed in their studies of the property-tax system. In table 2 there are illustrations picked at random to show how the percentages of levy delinquent and acreage delinquent compare in selected counties in three States. The considerably higher percentage in acreage than in the levy every year indicates that lower-value tracts are more susceptible to delinquency than are the better ones. It is well perhaps to emphasize that there may be a great many exceptions to this condition for short periods, as during the depression when delinquency on better grade lands was on the increase. To the extent that it prevails, however, here too, it appears that unequal distribution of the property tax, this time due to poor assessment, is one of the factors responsible for delinquency.

Table 2.- Delinquent taxes and acreage compared in selected counties in Ohio, Wisconsin, and Virginia, 1928-32

Year	Ohio		Wisconsin		Virginia	
	Tax levy delinquent	Taxable acreage delinquent	Tax levy delinquent	Taxable acreage delinquent	Tax levy delinquent	Taxable acreage delinquent
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
1928	3.23	8.03	4.26	9.85	3.36	6.12
1929	3.83	9.97	5.35	10.41	7.21	9.69
1930	6.43	13.66	6.75	12.80	11.33	15.94
1931	10.27	18.34	10.06	15.19	21.72	24.72
1932	14.26	23.56	12.64	19.45	26.02	27.76

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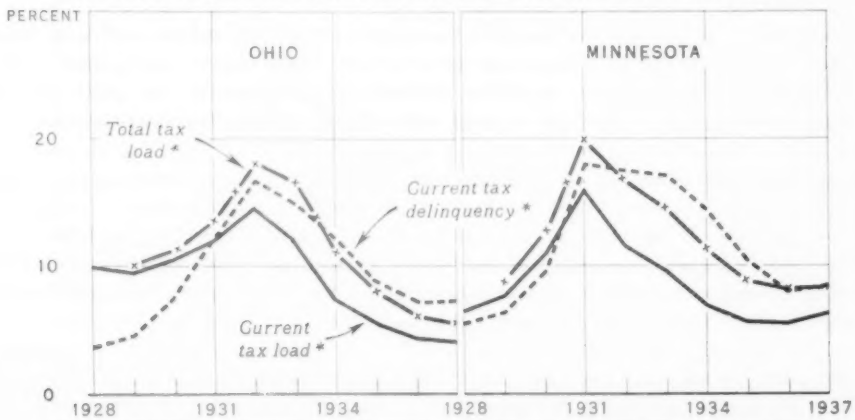
TAX DELINQUENCY IN RELATION TO FARM EXPENDITURES OTHER THAN FOR CURRENT TAXES

In addition to the current tax load, there appear to be several other factors contributing to tax defaults; some are economic, while others are non-economic. One of the economic factors is accumulated delinquency and penalty charges. For a few States estimates have been made of the back taxes (not including the penalty charges), and for two States these estimates, together with the current taxes, are shown in figure 3 as the total tax load. Figure 3 compares the total tax load with current delinquency and the current tax load. It will be observed that in the case of both States shown in the figure the difference between the current and the total tax load is greater after than before the peak years. It will also be observed that the relationship between total tax load and current delinquency appears to be closer than that between current tax load and and current delinquency. Apparently, the back taxes account for some of the defaults on current taxes.

Various other economic factors contributing to tax delinquency are essentially the same as the tax load in that they compete with the property taxes for the employment of farm income. Farm income, as it has been used in the construction of the tax load series, represents gross cash farm receipts. But operating costs, as well as the cost of living, vary both among the different parts of the country and among different types of farming. And in the same way, the accumulated debt and tax delinquency charges, the belated expenditures for deficient upkeep of property, the cumulative deficit in health expenditures, and so on, may be an important part of the explanation for the delinquency levels which are shown in figure 2 to be almost uniformly higher from 1934 on than before 1930. All of these expenditures compete with farm taxes for the farm income.

CURRENT TAX DELINQUENCY AND CURRENT AND TOTAL TAX LOAD ON FARM REAL PROPERTY IN MINNESOTA AND OHIO, 1928-37



* CURRENT TAX LOAD IS A PERCENTAGE THAT CURRENT TAXES ARE OF CASH FARM INCOME. TOTAL TAX LOAD IS A PERCENTAGE THAT THE SUM OF CURRENT AND BACK TAXES IS OF CASH FARM INCOME. CURRENT TAX DELINQUENCY IS A PERCENTAGE THAT CURRENT TAXES IN DEFAULT ARE OF TOTAL CURRENT TAXES.

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FIGURE 3.

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NON-ECONOMIC CAUSES OF TAX DELINQUENCY

The answer to the question what are the non-economic causes of delinquency must largely be conjectural. Tax collection procedure may be one of these, as often claimed. Comparisons between current delinquency and the legal provisions of tax collection procedure in the 13 States analyzed, however, reveal no apparent relationship between the two. Often, though, it is not the legal provisions but the actual administration of tax collection which influences the taxpayer's decision whether or not he is to comply with the intent of the law. If he is aware that the penalty and interest charges will not be applied against him for months after his taxes go delinquent, good business sense tells him that it will be cheaper to default on his taxes than to borrow in case he is in need of cash. This, of course, is also true even with strict enforcement, if delinquency charges are lower than the current rate on commercial loans. A deterrent still greater than nonenforcement is the knowledge that the defaulted property will not be alienated. There is much reason to believe that both of these features of tax collection procedure played an important role in the delinquency problem in the early 1930's, when many taxpayers felt confident that the State legislature would relax the compliance provisions of tax collection procedure.

Another of the non-economic factors contributing to tax delinquency may for convenience be referred to as a standard of tax compliance. There are individuals whose circumstances are much alike, yet some of these individuals will, while the others will not, default on their taxes. Similarly, there are communities which are much alike in respect to economic conditions, yet some of these communities have had a significantly higher delinquency experience than the others. These differences in tax compliance can be accounted for only by one or both of two factors, a difference in degree of social responsibility or devotion to property ownership. It may be that the higher delinquency levels shown in figure 2 from 1934 on than before 1930, notwithstanding the lower tax load in the later period in some cases, can partly be explained by the changed attitude toward tax payment since the critical property tax situation in the early thirties.

SUMMARY

Although the question what makes farmers default on their property taxes has by no means been definitely answered, it seems clear that a part of the answer is found in the weight of the total tax load, that is, in the relationship of current and back taxes to cash farm receipts. Accordingly, to the extent that the tax load has an influence on tax default, it may be assumed that delinquency could be reduced if the property tax were levied in some relationship to the cash income from, rather than to the value of, the property.

But the tax load does not alone determine tax delinquency. Another contributing factor to which delinquency has often been ascribed is tax collection procedure. Comparisons of the mere legal provisions of tax collection procedures and tax delinquency in different States indicate that this by itself is not a significant factor, but comparisons of current delinquency and the actual enforcement of tax collection procedure might show a different result. Both of these aspects need to be further investigated.

In addition to the tax load and tax collection procedure, there appear to be several other factors which may partly be responsible for tax delinquency. For convenience, these may be grouped under two headings, first, farm expenditures other than for property taxes, which thus compete with the property taxes for the employment of farm income, and second, taxpaying attitudes. Inclusion of both of these groups has some basis in experience, but, like tax collection procedure, both of them will bear further investigation.

PERSONAL PROPERTY TAXATION AND THE FARMER

GERHARD J. ISAAC, Associate Agricultural Economist

Taxes on farm personal property in 1938 amounted to about 11 percent as much as the taxes on farm real estate. Variations in the tax laws and in the relative importance of personalty are such that one finds both community and State governments which levy no general personal property tax. On the other hand, there are communities in some States that levy about the same sum against personalty as against real estate.

The same personal property tax laws apply to farmers as to any other persons - laws developed over a long period of time as parts of the legal framework of the so-called general property tax. In the simpler forms personal property and real estate are assessed under analogous rules, and the same tax rate is applied to all assessments, whether of real estate or of personal property.

The taxation of personal property in America did not begin as a separate and distinct form of taxation. In colonial times both real and personal property were usually included in the list of "ratables" for a "general" tax. The base, however, was wider than property alone. For example, it included assessments against the "faculties" of persons in certain professions or occupations such as law, medicine, or manufacturing. A person's "faculty" was the taxpaying ability assumed to arise from his skill in his occupation. Although these "faculties" were considered to reflect income-earning ability, actually the assessment of all those in each class was usually a uniform amount fixed by law. For example, all physicians might be assessed $150. Under some of the early laws uniform figures also were fixed for the amounts at which all livestock of a given class or age or all lands of a given classification were to be listed. But whether fixed by law or by local assessors the assessment usually represented annual income rather than cash, or market, value of the property. In determining tax liability the same tax rate was applied to the assessment of all items in the tax base.

From this type of "general" tax, the present State and local "general *property* tax" has evolved. During the process of evolution the tax base at times has been expanded to the extent of taking in all major categories of property. A more general tendency, however, has been to withdraw intangibles and "faculties" from the tax base - either exempting them or subjecting them to special forms of taxation, or to licensing in lieu of taxes. As a result, the tax now is no longer "general" but is more nearly a tax on tangible property.

This being the case, it becomes important to agriculture to know where the farmer stands in the situation. Restricting the tax to tangible property, however, still leaves subject to taxation those forms of property which make up most of the farmer's wealth, because farmers as a class own little intangible wealth. Thus the elimination of intangible property from the tax base might increase the proportion of the base consisting of farm property. Furthermore, such withdrawal of intangibles might well result in an actual increase in the farmer's tax bill because with the total base reduced, the tax rate must rise unless substitute revenue is found or governmental services reduced.

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PROBLEMS OF ASSESSMENT AND COLLECTION

The development of the various property tax laws has been influenced by an effort to achieve "substantial justice" and by considerations of administrative and political feasibility. This is nowhere better exemplified than in the class of personal property covering household equipment and furnishings and "personal effects." As between farmers and other taxpaying individuals - particularly other householders of small income - there may be little difference in the extent or importance of such property. But to these individuals the treatment accorded such property is of much greater importance than it is to owners of business property and intangibles.

It is difficult properly to assess household or personal effects. Questions of justice or equity are joined with questions of administrative and political feasibility. One of the difficulties of assessment arises from the ease of concealing or misrepresenting wealth of this sort, another from the resentment against prying into affairs which we consider intimate adjuncts of our lives. A substantial part of the difficulty, however, results from uncertainty as to the real value of such property. The general question of determining value for tax purposes causes endless argument, but it seems particularly fruitless when revolving around a type of wealth of heterogeneous and continually varying composition serving joint wants, frequently being replaced by dissimilar items, often esteemed largely for sentimental attachments, and presenting no direct comparisons with similar income-producing goods. What is the true value of furniture, clothing, or kitchenware, now in use in a home? The answer given by an assessor is more likely to reflect an arbitrary assessment than a real appraisal.

Problems similar in many ways to those just discussed arise in connection with that type of personal property which includes "goods in process," goods held for sale or materials held for subsequent use or for fabrication. For the farmer the class covers such items as feed, growing crops, crops awaiting the usual season of disposal, and young livestock. The quantity on hand on any assessment date, or even the average on hand during the year is subject to wide variation because of varying management practices, and other factors. Valuation is difficult for property which has no determinable market value because it is in a form not frequently sold. Moreover, such property may be subject to unusual risks before it reaches the stage in which it is normally marketed. Values assigned at any given date should reflect the risks to which the property will be subject before it finally "matures" into income.

Many States have in part avoided some of these difficult problems of valuation by resorting to exemptions of personal property to some specified maximum amount. The most common of these are the exemptions of a few hundred or even a thousand dollars applying to household furnishings and personal effects. Numerous variations in the exemption provisions can be found among the States. In some cases, exemptions include not only household and personal effects, but also artisans' tools, farm machinery, farm products stored on the farm where produced, or young livestock. Other exemptions of flat amounts are not restricted as to types of property but may be claimed only by special classes of taxpayers, such as widows, war veterans, or the blind. The extreme case, of course, is complete exemption of all personal property from taxation under the general property tax. New York, since 1933 and Delaware, since 1939 specifically provide such complete exemptions.

The administrative difficulty of assessing and collecting taxes on many kinds of personal property, particularly such as household and personal effects, is often presented as a sufficient argument for complete abandonment of personal property taxation. It is pointed out that the amount of property for most individual listings must be small and little revenue can accrue from each. Under such conditions the revenue obtained from these listings often would not be adequate to meet the cost of carrying forward the necessary records of assessment, levy, and collection. Thus it is held by many that there is nothing to be gained by trying to

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tax numerous minute and widely scattered quantities of personal property. On the other hand, there are those who hold that efficient administrative procedures could be established which would permit assessment and taxation, at a reasonable administrative cost, of much of the personal property which now escapes taxation but that it is usually politically inexpedient to do so.

In the taxation of motor vehicles various devices have been resorted to in the effort to achieve administrative feasibility. About one-half of the States exempt motor vehicles from the property tax and instead subject them to fees, licenses, or special taxes that are at least partly in lieu of the general property tax. The other half of the States tax motor vehicles under their personal property tax laws although many of these assign arbitrary assessed values to all vehicles of a given make and model. These States, of course, also impose license, or registration fees on motor vehicles. Some mixture of basic concepts can be seen in this varied treatment. The second group of States may be said to follow the theory that since all property receives certain general benefits, as for example police protection, it should contribute to the support of general government, and that property which gets special privileges or services from government should contribute separately toward the special costs involved. For the first group of States mentioned above it may be said that the one charge covers both the general tax liability represented by the automobile and a charge for the owner's privilege of operating it on public highways. But some States in the second group achieve essentially the same result by withholding the special privilege of operating an automobile on highways until evidence is presented showing that the general tax liability also has been met.

AMOUNT PAID BY FARMERS

The major part of the farmer's liability under the general property tax, of course, arises from his ownership of farm real estate. Yet in spite of the various special provisions previously mentioned, taxes on farm personal property amounted to a substantial sum each year. The accompanying table shows total farm real estate taxes, total farm personal property taxes and the ratio between the two series.

Taxes levied against farm real estate and farm personal property, 1924-38

Year	Farm real estate taxes	Farm personal property taxes	Personal property taxes as percentage of real estate taxes
	1,000 dollars	*1,000 dollars*	*Percent*
1924	511,370	63,686	12.5
1925	516,790	62,815	12.2
1926	525,564	63,953	12.2
1927	544,690	65,700	12.1
1928	555,635	69,490	12.5
1929	567,493	73,396	12.9
1930	566,169	70,998	12.5
1931	524,865	55,243	10.5
1932	460,261	43,423	9.4
1933	398,633	34,982	8.8
1934	384,438	35,925	9.3
1935	393,734	37,571	9.5
1936	397,390	40,739	10.3
1937	409,674	42,563	10.4
1938	407,006	44,003	10.8

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The comparisons made below for taxes on farm personal property and farm real estate have been developed from materials in the published reports of various State agencies. The classifications "farm real estate" and "farm personalty," or their equivalent, seldom appear in the reports in precisely that form. This makes it necessary to select from such categories as are used, those which seem most closely to approximate the desired classes. For only 1 State do the available reports show directly the amount of taxes levied against each class of property. For the other States total assessed values, by classes, can be used under the assumption that for a State as a whole the tax rate averages about the same on real and personal property, and therefore the ratio between real and personalty taxes will be the same as the ratio between their assessments. This assumption, of course, may admit some error, particularly in those cases where there is wide variation in the proportions of the two types of property and in the tax rates among the taxing jurisdictions within the State. The estimated ratios between farm personal taxes and farm real estate taxes for the 31 States for which data have been obtained are used in developing the ratios for the country as a whole.

The composition of the farm property taxed in a given State depends upon the type of farm enterprise, the specific tax laws applicable and the administration of these laws. The importance of administration can be illustrated by the situation in New York. Over a period of time personal property in this State largely disappeared from the tax rolls, particularly in rural areas. Thus the law which in 1933 withdrew personal property from the general property tax base merely legalized an administrative practice of long standing.

The influence of a dominant type of enterprise is to be seen in the Western Range States. Largely because of the importance of livestock, which makes up about 90 percent of the taxable personalty, taxes on farm personal property in Wyoming and Nevada amount to one-third to one-half as much as the taxes on farm real estate. The relationship between taxes on personal and real property in the Range States also is influenced by the fact that the taxable farm land is frequently augmented by public lands used for grazing purposes on a lease or permit basis. Thus the taxes on livestock and other personal property are compared with real estate taxes which apply to only part of the real estate used in farm operations.

The decline in the ratio of personal to real estate taxes from 1929 to 1933 and the subsequent rise is worthy of note, although the period obviously is not long enough to be conclusive as to the causes of the fluctuations. An important factor influencing the ratios was the relatively greater changes in the value of livestock on farms as compared with the changes in value of farm real estate. Between 1929 and 1933 the value of farm land and buildings decreased 36 percent, while the total value of five of the principal categories of livestock on farms fell 55 percent. From 1933 to 1938 both value figures increased - land and buildings 16 percent and livestock 73 percent. This comparison cannot be used in a precise way because assessed values typically change later and to a lesser degree than do actual property values. However, during the period studied it appears that both assessed and actual values of farm personal property fluctuated more widely than did land values.

The tax position of personal property relative to real estate has been affected in a number of States by changes in the scope of exemptions under the general property tax. In Louisiana, for example, taxes on farm personal property were sharply reduced after 1934 by a series of liberalizations of exemption provisions. This reduction is not fully reflected in the ratio of personal property taxes to real estate taxes, however, because the latter were also reduced by a homestead exemption law. It is reported that as a result of these two changes, a large number of Louisiana farmers now pay no property taxes on either real or personal property.

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Other factors also may influence the relationships between taxes on personal and real property, particularly within counties or other assessing units. For example, there is the possibility that assessment of personal property varies in its completeness from year to year. Assessing officers may for a time place great emphasis on completeness of assessment, with the result that there is a substantial increase in the amount listed. Over a period of time, the relative amount may decrease until such a time as there is a re emphasis on completeness that results in increases. This sort of influence may not show up in State-wide figures, however, unless numerous counties are in about the same relative position in this cycle of emphasis.

That there is no consistent philosophy underlying the development of personal property taxation is apparent from a cursory survey of the situation. The present personal property tax "system" probably can best be characterized as the result of a development in which the effort to achieve justice in the distribution of the tax burden often has been modified by considerations of administrative and political expediency. Many questions are unanswered. To what extent should personal property used in *living* (household goods and personal effects) be subjected to taxation? To what extent should personal property used in one's *livelihood* (artisans' tools and farm machinery) be subjected to taxation? Should these individually-owned and -used types of personal property be treated one way and factory equipment another? Are there social gains from exempting certain kinds of personal property that will offset the resulting heavier taxes on other property or the resort to other kinds of taxes? Answers to such questions are not to be found in the facts of personal property taxation alone, but must be sought in a more general taxation philosophy.

EMERGENCY CROP LOANS.-- Loans outstanding at the end of each of the first three quarters of 1940 were slightly larger than on corresponding dates in 1939. After reaching a seasonal peak of $129,548,000 on July 1, 1940, loans outstanding declined to $126,522,000 on October 1, 1940. Decreases occurred during the third quarter in all States except Florida, Kansas, New Mexico, and Washington.

Loans made through October 1, 1940 totaled $18,582,000 as compared with $14,535,000 during the same period in 1939.

FARM DEBT ADJUSTMENT.-- For the year ended September 30, 1940 a total of 27,451 individual debt-adjustment cases were reported to the Farm Security Administration as having been adjusted. This is an average of 2,288 cases per month as compared with an average of 2,185 cases per month reported for the entire period from September 1, 1935 through September 30, 1940. The average amount of debt adjustment per case for the year ended September 30, 1940 was $472 as compared with an average of $714 per case for the entire period since September 1, 1935. For the year ended September 30, 1940 the average percentage reduction was 17.4 percent, whereas for the entire period since September 1, 1935 the average percentage reduction was 22.8 percent.

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NATIONAL DEFENSE AND FARM TAXES

DONALD JACKSON, Senior Agricultural Economist

Perhaps the safest general tax prediction at any time is that total taxes will, over any considerable period, increase. When the question is reduced to specific taxes at specific times and places, however, the evidence to warrant a prediction is in many cases almost completely wanting. Nevertheless, to the agricultural industry it is the latter, more specific prediction which is of direct importance.

During the past decade farmers have labored under a tax burden which in thousands of cases has proved economically fatal. Farms have become tax delinquent and if not alienated have gone so far in the delinquency process that the owners have little chance of redeeming their property. During the same period, as a result of failure to collect adequate tax revenues, rural local governments have often reduced wages and salaries and cut services. In some cases, in fact, the local units had to be abandoned. Since the depths of the depression the economic condition of farmers in general has been sufficiently improved to increase considerably their taxpaying ability. Thus in the past few years many rural local governments have collected appreciably greater amounts of tax revenues than they have levied, due to payments on delinquent accounts, but others have on their books large amounts of delinquent taxes and are having trouble in collecting current levies.

During the period from 1920 to 1929 farm real estate taxes, the most important of all farm taxes, rose at a rate that averaged 2 percent per year. Between 1929 and 1934 they fell by 37 percent or about to their 1919 level. Since 1934 they have risen again by a little more than 1 percent a year. But taxes other than those on farm property now add major amounts to the farmers' tax bill. Between 1919 and 1930 gasoline taxes and automobile licenses came to add perhaps 150 million dollars annually or an amount equal to nearly 25 percent of the 1930 farm property taxes. The amount of these taxes has changed relatively little since 1930, but during the 1930's numerous general sales taxes have been imposed, and by 1936 added an estimated 25 million dollars per year to farmer-paid taxes.

For several years, low farm income and mounting tax delinquency undoubtedly held the increase in farm property tax levies to a lower rate than otherwise would have obtained. Then for the very reason that farm income was low, it seemed necessary to increase governmental services in many farm communities. But as local taxes could not be much increased, revenue to meet the cost came by one route or another from State and Federal taxes or from increase of public debt.

Two effects suggest themselves as possible results of present trends in economic activity and defense spending. Increased employment at present wage levels, or better, should increase the domestic demand for farm commodities. This in turn should increase gross farm income, and probably will increase farmers' taxpaying ability by about as great a percentage as the increase in income. For an individual farmer this obviously cannot be true until he is making a net margin above costs, but it appears reasonable that farm income has risen enough since the depths of the depression so that for farmers as a whole ability to pay taxes will increase as fast as does income. As to what the farm income situation may be for the next year, the Bureau of Agricultural Economics has recently made a statement, from which the following two paragraphs are quoted:

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"Larger cash income from marketings of farm products and increased costs of farm production are in prospect for 1941. Basis for this outlook is a prospective increase in prices of farm products and an increase in the general level of prices of commodities and services used in farm production. The higher prices of farm products will be induced by improvement in consumer buyung power and a rise in the general level of wholesale prices of all commodities. Higher prices of commodities and services used in farm production are expected to result from the increased demand for materials and men in the production of industrial goods for national defense.

"The exact extent of the prospective rise in prices of farm products and in the costs of production cannot be predicted. It is probable, however, that part of the increase in income from farm marketings may be offset by the higher costs of production. Another consideration is that not all farm products will share in the higher prices. The market for several major export crops will probably be restricted by reduced foreign demand, and prices of these crops will be supported largely by Government loan and export programs. Income from livestock and livestock products is expected to increase more than the income from crops."[1]

The other important aspect of the situation concerns the type of governmental spending. In this, the recent years fail to give a good parallel to what may be expected for the near future. Defense spending is largely analogous to war spending. The function to be directly served is almost exclusively Federal, and the direct cost necessarily falls on the Federal Treasury.

A reasonable thing to anticipate is increased Federal income taxes and increased Federal borrowing. Federal excise taxes may also be increased significantly, first as higher rates on the so-called "luxury" or "nuisance" taxes, and then perhaps as a general sales tax. The probability is that farmers will not pay large amounts in income taxes. Even if exemptions are greatly reduced, the net income of most farmers will still be largely exempt. And even if rates are steeply increased they can hardly be expected to yield large amounts when applied to the residual of the farmer's income above exemptions. For the most part any farm income reached at all by Federal income taxes may be expected to fall into the class taking the lowest tax rate.

Luxury and nuisance taxes ordinarily will be avoided by farmers to a considerable extent. General sales taxes, however, or levies on gasoline, automobiles, or most other common items of production or consumption take real effect on farmers' incomes. It is to be expected, nevertheless, that even if Federal taxes against farmers are considerably increased, State and local levies will continue to comprise the bulk of the farm tax bill.

As to the near future trend of State and local tax levies, an analysis of developments during the World War period may prove particularly instructive. Farm real estate taxes per acre rose about 36 percent from 1914 to 1918, and 108 percent from 1914 to 1920. Increase in income was ample to pay the higher taxes, however, and actual burden seems not to have increased. This undoubtedly resulted in part from the nature of the tax increases.

A cursory examination of State and local operations and public finance during the World War fails to show any substantial new impetus to the rising trend of governmental services. Tax revenues themselves increased roughly in the same ratio as did prices of the things which make up State and local government costs. In other words, expenditures met by tax revenues increased only about sufficiently to amount to the increased prices and wages paid by government; the physical amount of labor, commodities, and services purchased by these tax revenues does not seem to have increased appreciably during the war period. In the period now ahead, it seems probable that similarly State and local taxes, and thus the principal farm taxes, can be expected to receive no great impetus from national defense activity except as such activity results in higher costs for goods and services.

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[1]The Agricultural Situation, Oct. 1940, pp 4-5.

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PERSONAL AND AUTOMOBILE INSURANCE CARRIED BY RURAL AND URBAN GROUPS

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Very little information is available regarding the amount of life, health and accident, and automobile insurance carried by farmers. Farmers undoubtedly need insurance as much as other groups, for farming is generally classified as one of the more hazardous industries. The very fact, however, that the farmer is accustomed to taking risks in connection with his business may be a reason why farmers as a rule have not been as well insured as persons in other industries. Also, it is probable that farmers have not been canvassed so thoroughly as other classes of potential assureds. Furthermore, many kinds of life insurance are in large measure forms of investment, and, since farmers usually have relatively heavy investments in such items as land and equipment, the desire and need for life insurance is not so pronounced among farmers as among industrial groups.

Few, if any, data regarding insurance carried by farmers can be obtained from insurance companies, as their records are not classified in such a manner as to provide this information Most information, therefore, with respect to the amount of insurance protection carried by farmers must come from farm surveys. In 1936 a survey of consumer incomes and consumer expenditures was conducted by the Bureau of Home Economics and the Bureau of Labor Statistics in cooperation with other Federal agencies. Data were obtained in this study on expenditures for life insurance, health and accident insurance, and automobile insurance. The major part of this article is a summary and analysis of the expenditures for insurance as shown by this survey in 64 counties representing 24 farming areas, 140 villages in or near the farming areas, and 19 small cities.[1]

The accompanying map (fig. 1) portrays the distribution of the samples It is apparent that large sections of the country were untouched by the survey; yet the project is the most extensive one of its kind yet attempted. As a result of eligibility requirements for the sample - race, family composition, farm operation, and period of residence on the farm - it is probable that in the areas covered, many rural families with low incomes were eliminated from the study [2] In all of the farming areas except that in Kansas the ineligible group comprised half or more of the number of families. It is probable that the figures represent expenditures for groups with incomes higher than the average for farmers as a whole.

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[1] This portion of the survey was conducted by the Bureau of Home Economics. The survey of the Bureau of Labor Statistics included an additional 10 small cities, 14 medium-sized cities, 6 large cities, and 2 metropolises.

[2] The Bureau of Home Economics study included a total of 16,878 farm families, 9,431 families in villages, and 7,520 families in small cities. The survey was limited to families containing husband and wife who had been married for at least a year and who were both native born. The size of the family ranged from 2 to 8 members. Only white families were included except in the Southeast area where Negro families also were interviewed. Families which had received relief in any form during the year or that had not kept house for at least 9 months of the year were excluded. A further requirement for farm families was that the family must have operated the farm throughout the report year. Excluded from farm-population groups were families of farm laborers, families living on tracts of land too small or in other ways failing to meet the Census definition of a farm, and families that did not engage in agriculture as a business; i e , had no gross income from sale of farm products.

For a further discussion of the methodology employed in the original survey and appraisals of the samples obtained, see "Consumer Expenditures in the United States," National Resources Committee, 1939, and "Family Income and Expenditures," U. S. Department of Agriculture, Misc. Publ.

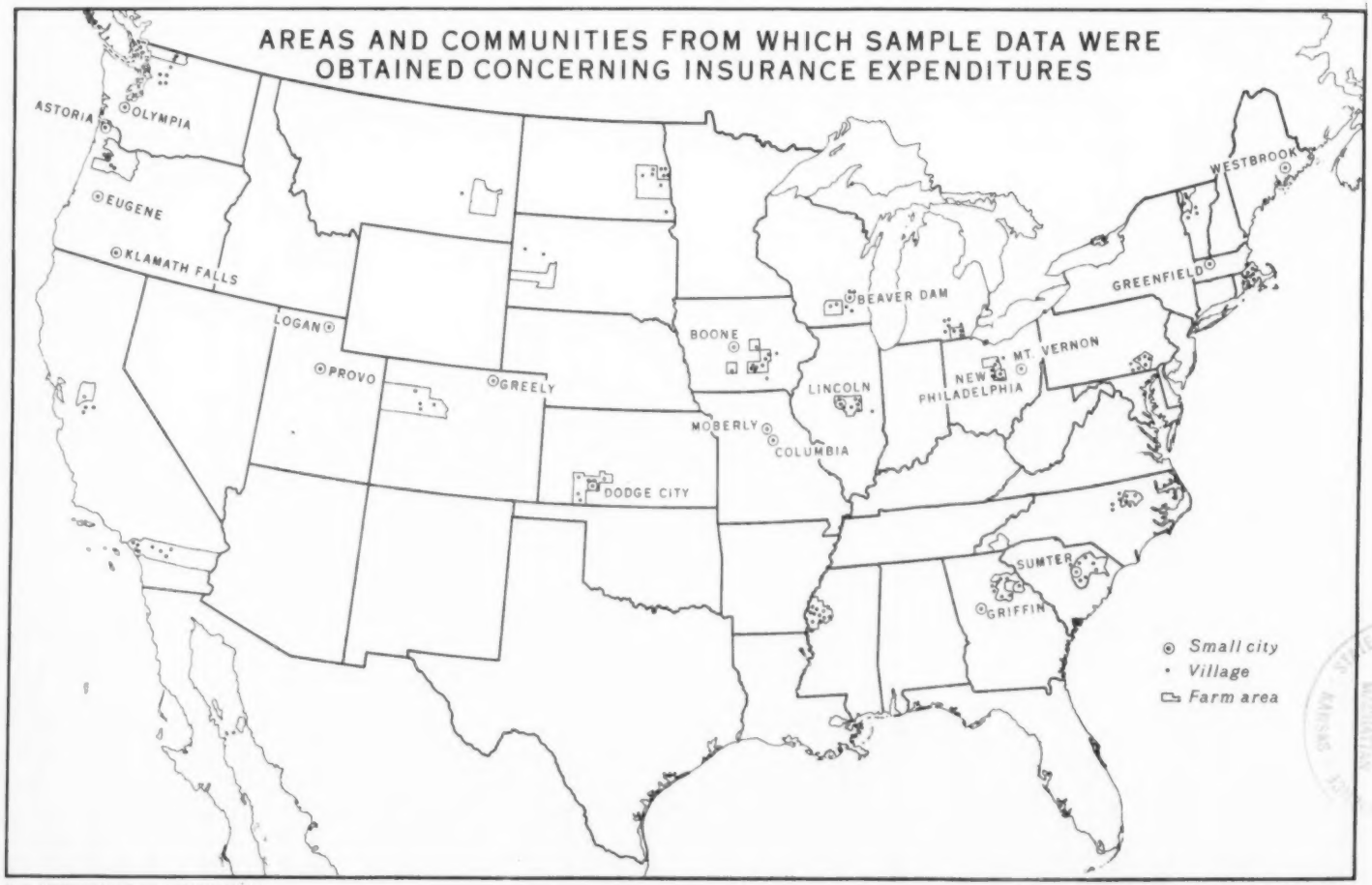

FIGURE 1.

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The survey covered a report year which consisted of a 12-month period ending any time between December 31, 1935, and December 31, 1936. In some of the areas covered, farm income for such a period may not have been typical due to severe drought, and, consequently, there may not have been a normal relationship between income and insurance expenditures. For example, in the region where negative incomes were reported, a larger percentage of families having such negative incomes carried insurance than did families in several of the positive income groups. Furthermore, average premiums paid by families in the negative income group were higher than in several of the positive income groups.

Information is not available from this survey regarding the amount of insurance carried. Data were obtained, however, relative to the insurance premiums paid. Although premiums give an indication of the amount of insurance carried, they are not an accurate index because premium rates vary widely, depending on numerous factors including the terms of the contract and the degree of risk to which the assured is exposed.

LIFE INSURANCE

The survey indicates that some life insurance was carried by 43 percent of the farm families (table 1). Due to previously mentioned bias in the sample, it is probable that this percentage is larger than the average for all farm families in the country. A smaller proportion of farm families carried insurance than did village and city families. As compared with 43 percent of farm families, 63 percent of the families in villages and 77 percent of the families in small cities carried life insurance. These percentages might have been larger, had the survey been made before the depression. Many life insurance policies, especially small policies having limited loan values, were allowed to lapse in the depression years prior to 1935-36.

On an average, farm families carrying life insurance paid $72 a year in premiums, families in villages paid $99.44, and families in small cities paid $119.73. Thus, not only were fewer farm families insured, but these averages suggest that the amount of insurance carried was less than in the case of village and city families.

There is a relatively consistent relationship between the percentage of families paying life insurance premiums and the size of income (fig. 2). There is also a relatively consistent relationship between the size of life insurance premiums and the size of income. These relationships exist not only for farm families, but also for village and small city families.

Comparisons on a regional basis are found in figures 3 and 4 and table 1. Regional variations are not pronounced. In fact, a study of the sub regions (not shown in figure 1) indicates that there is a greater variation within regions than between regions. One variation does appear. The premiums paid by persons in the low income groups in the Southeast region are substantially smaller than in the other regions.

One reason why farmers purchase less life insurance than village and city persons as a means of providing for future security in the event of death of the head of the family is that farmers usually invest substantial amounts in the farm enterprise. A survey made in Minnesota in 1929 indicated that about 72 percent of the investments of farm families were in "land ownership and operation", 6 percent were in insurance, and 22 percent in other investments [3]. There is one respect in which insurance provides better security for

[3] Zimmerman, C. C., "Incomes and Expenditures of Minnesota Farm and City Families." Bulletin No. 255, 1929, Agricultural Experiment Station, University of Minnesota, p. 10.

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Table 1.- Life insurance premiums paid by farm families[1]

Income group	All regions			New England			Middle Atlantic and North Central		
	Families interviewed	Percent of families interviewed paying premiums	Average premiums paid by those carrying insurance	Families interviewed	Percent of families interviewed paying premiums	Average premiums paid by those carrying insurance	Families interviewed	Percent of families interviewed paying premiums	Average premiums paid by those carrying insurance
	Number	*Percent*	*Dollars*	*Number*	*Percent*	*Dollars*	*Number*	*Percent*	*Dollars*
Negative incomes	104	44.2	80.19	-	-	-	-	-	-
$0 - 249	528	27.7	43.43	10	10.0	78.00	71	31.0	121.27
250 - 499	2,097	31.0	25.38	28	21.4	39.15	295	25.8	59.55
500 - 749	2,782	32.1	32.61	82	30.5	55.17	571	25.7	67.04
750 - 999	2,651	39.0	42.55	111	37.8	67.29	787	33.8	59.44
1,000 - 1,249	2,094	45.3	58.07	94	48.9	82.76	815	41.8	76.97
1,250 - 1,499	1,752	46.4	65.47	74	58.1	86.41	741	41.7	76.15
1,500 - 1,999	2,264	51.1	78.17	93	66.7	89.55	1,031	46.6	86.38
2,000 - 2,499	1,182	59.2	99.54	34	70.6	146.87	550	51.1	105.30
2,500 - 2,999	618	60.7	125.90	11	63.6	86.85	271	54.2	126.73
3,000 - 3,999	534	61.4	154.27	-	-	-	247	49.0	150.08
4,000 - 4,999	146	71.9	214.02	-	-	-	42	45.2	268.15
5,000 - 9,999	112	69.6	302.10	-	-	-	39	48.7	216.31
10,000 - 19,999	14	85.7	1,057.07	-	-	-	-	-	-
Total and average	*16,878*	*43.2*	*72.00*	*537*	*47.7*	*84.87*	*5,460*	*40.8*	*89.62*

	Plains and Mountain			Pacific			Southeast[2]		
Negative incomes	104	44.2	80.19	-	-	-	-	-	-
$0 - 249	120	28.3	63.49	37	27.0	43.29	290	27.2	12.69
250 - 499	225	24.9	56.53	116	26.7	95.81	1,433	33.6	11.64
500 - 749	260	28.5	59.51	233	23.6	71.12	1,636	36.2	20.19
750 - 999	261	38.7	72.42	248	38.3	66.73	1,344	42.6	22.08
1,000 - 1,249	162	43.8	63.56	241	46.5	71.90	782	48.3	32.90
1,250 - 1,499	134	40.3	88.95	269	47.2	81.49	534	52.4	38.67
1,500 - 1,999	149	45.0	86.01	445	54.2	87.93	546	56.4	53.75
2,000 - 2,499	59	55.9	113.85	294	62.6	111.06	245	72.7	69.50
2,500 - 2,999	36	52.8	145.26	150	65.3	131.57	150	69.3	118.48
3,000 - 3,999	25	44.0	131.27	129	72.1	173.26	133	77.4	144.50
4,000 - 4,999	-	-	-	38	71.1	201.63	66	89.4	202.25
5,000 - 9,999	-	-	-	19	73.7	371.99	54	88.3	316.57
10,000 - 19,999	-	-	-	-	-	-	14	85.7	1,057.07
Total and average	*1,535*	*36.9*	*77.33*	*2,219*	*49.0*	*104.26*	*7,127*	*44.2*	*46.40*

[1] Based on survey made by the Bureau of Home Economics. In combining average percentages and average premiums for areas surveyed into regional and "all regions" figures, simple averages have been used.

[2] Includes some Negro families.

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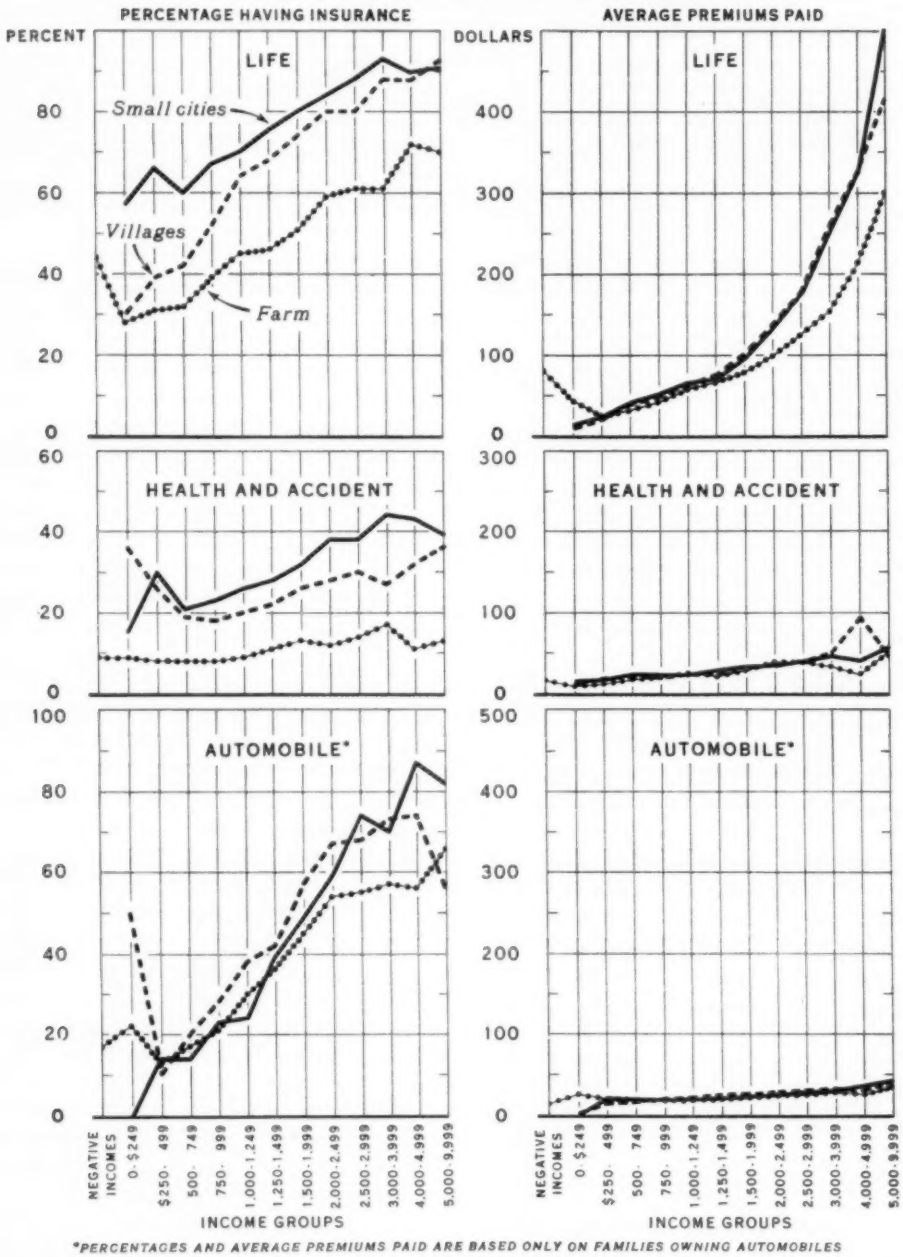
PERCENTAGE OF FAMILIES HAVING LIFE, HEALTH AND ACCIDENT, AND AUTOMOBILE INSURANCE AND AVERAGE PREMIUMS PAID, BY INCOME GROUPS



*PERCENTAGES AND AVERAGE PREMIUMS PAID ARE BASED ONLY ON FAMILIES OWNING AUTOMOBILES

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FIGURE 2.

the future than other investments. In the case of life insurance, full protection is obtained immediately, whereas in the case of other invested funds the protection at any given time is limited to the capital actually accumulated.

The inadequacy of premium data as indicative of the amount of insurance carried is particularly evident with respect to life insurance. A given premium will buy differing amounts, depending upon whether the policy is straight life, endowment, group, or other form. Moreover, the age of the assured is an important factor affecting the premium rates. The diversity of life insurance policies carried by farm families is indicated in a study of 200 farm families in Ingham County, Michigan.[4] Life insurance policies held by 99 families were distributed as follows:

Whole life	49
Limited pay	29
Term	2
Endowment	39
Other	6

The figures and comparisons given up to this point are based only on premiums paid, not on the amount of insurance carried, and perhaps represent a better-than-average group of farmers. Certain studies made by the Bureau of Agricultural Economics concerning farm laborers in 11 counties of 11 different States were based on the amount of insurance carried rather than the amount of premium paid, and reflected insurance protection held by a lower-income stratum of the farm population.[5] The average amount of insurance carried by farm laborers as shown by these studies was $1,026, the face of the policies ranging from $25 to $12,000. Lower amounts of protection were found to predominate among Negro laborers. Typical amounts of insurance carried by Negro laborers were $100, $150, and $250, whereas typical amounts carried by white laborers were $500, $1,000, $1,500, and $2,000. The predominance of small policies among Negro laborers suggests that much of this insurance is industrial or burial insurance.

HEALTH AND ACCIDENT INSURANCE

Health and accident insurance is closely related to life insurance in that it provides protection against personal hazards. Fewer farmers carry health and accident insurance than carry life insurance. Only 10 percent of the farm families surveyed carried health and accident insurance, whereas 43 percent carried life insurance. Life insurance policies sometimes include disability provisions, but since current practice of insurance companies is to limit such benefits to waiver of premium, the health and accident protection in such policies is not large.

Health and accident insurance was carried by 10 percent of the farm families surveyed, by 23 percent of the village families, and by 31 percent of the small city families. The average premium paid by farm families for health and accident insurance was $24.21, by village families - $28.66, and by small city families - $32.93 (table 2).

[4]Gross, I. H., and Bosworth, M. R., "Insurance of Farm Families," Technical Bulletin No. 133, 1933. Agricultural Experiment Station, Michigan State College, p. 10.

[5]Based on studies by Tom Vasey and Josiah C. Folsom. A typical title is "Survey of Agricultural Labor Conditions in Concordia Parish, Louisiana."

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Table 2.- Health and accident insurance premiums paid by farm families[1]

Income group	All regions			New England			Middle Atlantic and North Central		
	Families interviewed	Percent of families interviewed paying premiums	Average premiums paid by those carrying insurance	Families interviewed	Percent of families interviewed paying premiums	Average premiums paid by those carrying insurance	Families interviewed	Percent of families interviewed paying premiums	Average premiums paid by those carrying insurance
	Number	*Percent*	*Dollars*	*Number*	*Percent*	*Dollars*	*Number*	*Percent*	*Dollars*
Negative incomes	104	8.7	16.18	-	-	-	-	-	-
$0 - 249	528	9.1	9.17	10	0	-	71	11.3	12.96
250 - 499	2,097	8.2	12.70	28	7.1	0.98	295	4.1	23.17
500 - 749	2,782	7.8	16.03	82	14.6	15.99	571	6.7	14.55
750- 999	2,651	7.6	18.09	111	11.7	2.73	787	8.3	17.09
1,000 - 1,249	2,094	8.8	25.44	94	11.7	8.80	815	9.0	26.81
1,250 - 1,499	1,752	11.0	21.06	74	16.2	11.35	741	9.4	17.46
1,500 - 1,999	2,264	13.4	28.51	93	17.2	29.27	1,031	11.3	24.94
2,000 - 2,499	1,182	12.4	38.59	34	23.5	22.99	550	10.2	43.19
2,500 - 2,999	618	14.4	38.35	11	18.2	7.98	271	11.1	26.27
3,000 - 3,999	534	17.4	33.53	-	-	-	247	15.4	21.97
4,000 - 4,999	146	11.0	23.48	-	-	-	42	7.1	7.65
5,000 - 9,999	112	13.4	51.87	-	-	-	39	20.5	62.01
10,000 - 19,999	14	35.7	66.22	-	-	-	-	-	-
Total and average	*16,878*	*10.0*	*24.21*	*537*	*14.2*	*14.84*	*5,460*	*9.5*	*24.52*

	Plains and Mountain			Pacific			Southeast[2]		
Negative incomes	104	8.7	16.18	-	-	-	-	-	-
$0 - 249	120	5.8	13.87	37	8.1	11.33	290	10.3	6.85
250 - 499	225	3.6	39.52	116	6.0	31.18	1,433	9.9	9.56
500 - 749	260	7.7	31.77	233	11.2	18.51	1,636	7.3	13.35
750 - 999	261	9.2	29.62	248	11.7	14.93	1,244	5.6	19.22
1,000 - 1,249	162	9.9	24.69	241	17.0	19.16	782	5.6	33.46
1,250 - 1,499	134	14.9	25.85	269	20.4	23.86	534	6.6	24.43
1,500 - 1,999	149	14.1	38.66	445	25.4	29.27	546	7.0	31.21
2,000 - 2,499	59	13.6	40.49	294	21.8	36.95	245	4.1	34.31
2,500 - 2,999	36	11.1	33.76	150	24.7	50.10	150	10.7	38.77
3,000 - 3,999	25	8.0	55.49	129	24.8	38.55	133	15.8	44.70
4,000 - 4,999	-	-	-	38	13.2	31.76	66	12.1	24.25
5,000 - 9,999	-	-	-	19	10.5	15.96	54	9.3	50.01
10,000 - 19,999	-	-	-	-	-	-	14	35.7	66.22
Total and average	*1,535*	*9.1*	*30.16*	*2,219*	*18.7*	*29.50*	*7,127*	*7.6*	*19.69*

[1] Based on a survey made by the Bureau of Home Economics. In combining average percentages and average premiums for areas surveyed into regional and "all regions" figures, simple averages have been used.

[2] Includes some Negro families.

The tendency for the percentage of families carrying insurance to increase with the size of income is less pronounced in health and accident insurance than in life insurance. Also, the tendency for the average premium paid to increase with the size of income is less pronounced in health and accident insurance than in life insurance (fig. 3).

It has been estimated by the National Safety Council that some 4,200 farmers were accidentally killed during 1939 while at work and that non-fatal injuries in agricultural accidents were 50 times as numerous. It has been estimated also that there are about four deaths from non-agricultural accidents on farms for every one that occurs while farmers are at work.[8] Surveys in several States indicate that the most common causes of fatal farm accidents are machinery, animals, and falls. It would seem that farmers should not only carry more insurance, but should engage in accident prevention activities on a scale more comparable to that found in industry.

In view of the character of farm work, insurance companies rate farmers with artisans and mechanics such as building tradesmen and engineers in the classification of occupational risks for the establishment of premium rates. This class bears a fairly high premium rate. Some newspaper policies are available costing approximately a penny a day with limited protection, but the relatively large premiums paid for health and accident insurance, as shown by the survey of the Bureau of Home Economics, indicate that if health and accident insurance is taken at all, one of the more comprehensive, higher-cost policies is likely to be selected.

A possible reason why only a small percentage of farmers carry health and accident insurance may be that a considerable part of farm production continues despite a temporary incapacity of the farm operator. Crops continue growing, family labor may do much of the work, and neighbors may lend a hand. The consequences of temporary or even permanent disability may be less disastrous to the farmer than to the village or city wage-earner, since the farmer is not completely deprived of the means of subsistence. Moreover, as mentioned earlier, the farm population is probably canvassed less intensively by agents selling insurance, and there has been less development of group insurance than in cities and villages.

AUTOMOBILE INSURANCE

More farm families apparently carry automobile insurance than carry health and accident insurance (fig. 4). There are, of course, many farm families that do not own automobiles and therefore would have no occasion to buy such insurance. Approximately three-fourths of the farm families surveyed owned automobiles, and of this group approximately 34 percent carried automobile insurance (table 3). This compares unfavorably with the figures shown for villages and small cities, where approximately two-thirds of the families surveyed owned automobiles, of which 48 percent carried automobile insurance.

The average automobile insurance premium paid by farm families was $22.17 as compared with $26.91 paid by village families and $26.60 paid by small city families. Generally speaking, premium rates for automobile insurance are lower for farmers than for urban persons because of the lower risk involved, particularly the accident risk. This difference in premium rates may account for the fact that the average premium paid by farmers is smaller than that paid by persons living in villages and small cities. On the other hand, lower premiums paid by farm families may result from the purchase of less-complete insurance coverage by farmers. Possibly, fewer of them purchase liability and collision insurance than in the case of village and city families.

[8] Accident Facts - 1940 Edition, National Safety Council, Inc.

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AVERAGE PREMIUMS PAID BY FARM FAMILIES HAVING LIFE, HEALTH AND ACCIDENT, AND AUTOMOBILE INSURANCE, BY INCOME GROUPS, AND BY REGIONS

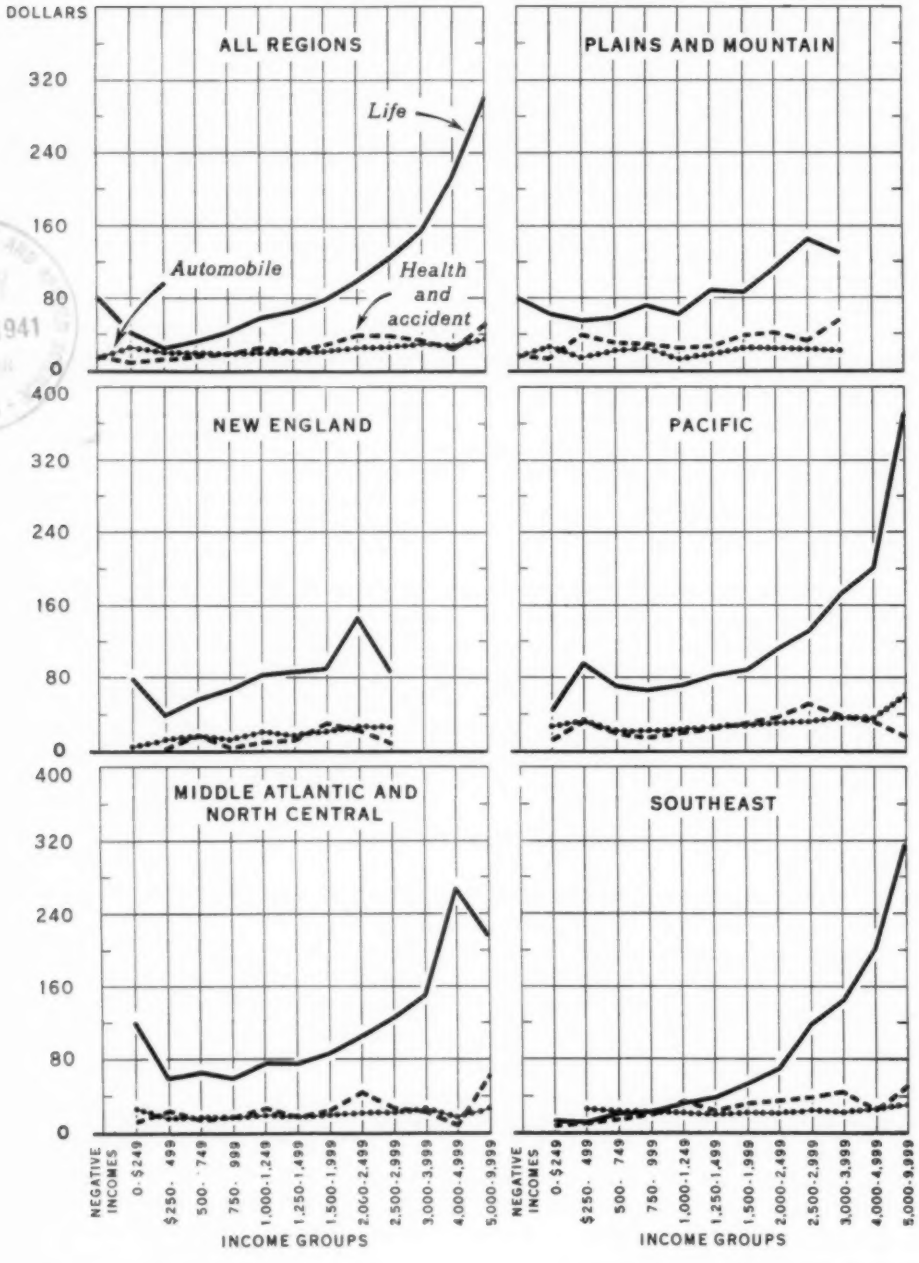

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FIGURE 3.

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PERCENTAGE OF FARM FAMILIES HAVING LIFE, HEALTH AND ACCIDENT, AND AUTOMOBILE INSURANCE, BY INCOME GROUPS, AND BY REGIONS*

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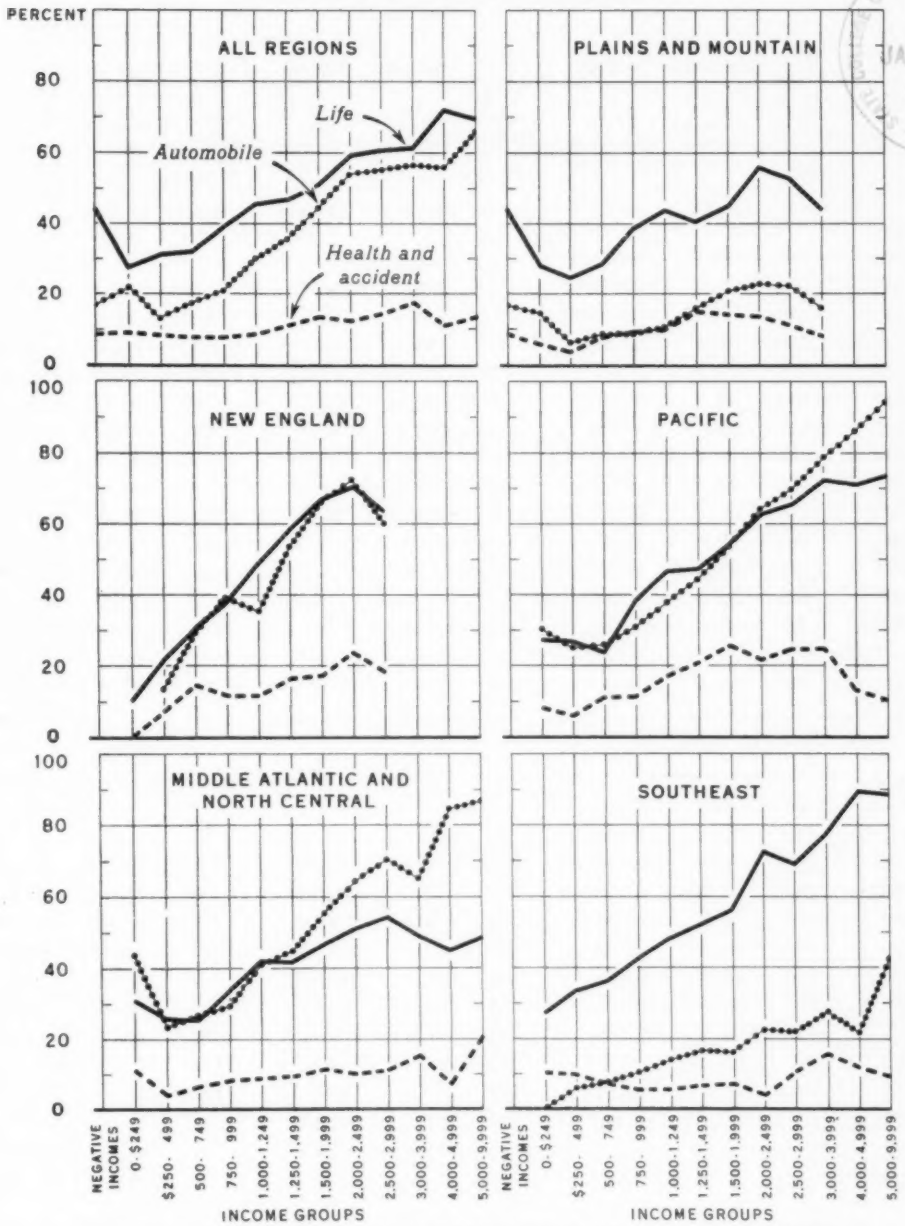

*PERCENTAGES FOR AUTOMOBILE INSURANCE ARE BASED ONLY ON FAMILIES OWNING AUTOMOBILES

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FIGURE 4.

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Table 3.- Automobile insurance premiums paid by farm families[1]

Income group	All regions			New England			Middle Atlantic and North Central		
	Families with automobile expenditures	Percent of families paying premiums	Average premiums paid by those carrying insurance	Families with automobile expenditures	Percent of families paying premiums	Average premiums paid by those carrying insurance	Families with automobile expenditures	Percent of families paying premiums	Average premiums paid by those carrying insurance
	Number	*Percent*	*Dollars*	*Number*	*Percent*	*Dollars*	*Number*	*Percent*	*Dollars*
Negative incomes	95	16.8	14.00	-	-	-	-	-	-
$0 - 249	217	22.1	26.66	1	100.0	4.58	48	43.8	27.55
250 - 499	814	13.3	20.90	15	13.3	12.18	226	23.5	15.50
500 - 749	1,461	17.2	19.06	48	29.2	16.81	478	26.8	16.23
750 - 999	1,811	21.0	18.70	69	39.1	12.87	687	29.4	16.50
1,000 - 1,249	1,658	30.0	19.26	65	35.4	20.72	748	41.0	18.11
1,250 - 1,499	1,497	35.7	19.61	58	53.4	16.95	683	44.9	17.47
1,500 - 1,999	2,080	44.6	21.25	82	65.9	21.86	969	55.4	18.17
2,000 - 2,499	1,105	54.0	24.14	33	72.7	26.34	508	64.4	21.52
2,500 - 2,999	588	55.3	25.59	10	60.0	25.70	249	70.3	21.77
3,000 - 3,999	511	56.6	28.42	-	-	-	233	65.2	25.33
4,000 - 4,999	139	56.1	26.26	-	-	-	39	84.6	17.84
5,000 - 9,999	104	66.1	35.94	-	-	-	37	86.5	27.63
10,000 - 19,999	14	64.3	67.22	-	-	-	-	-	-
Total and average	*12,099*	*34.2*	*22.17*	*381*	*47.8*	*19.67*	*4,905*	*48.4*	*19.20*

Income group	Plains and Mountain			Pacific			Southeast[2]		
Negative incomes	95	16.8	14.00	-	-	-	-	-	-
$0 - 249	110	14.5	26.51	33	30.3	27.24	25	0	-
250 - 499	205	6.3	14.99	96	25.0	33.72	272	5.9	25.42
500 - 749	233	8.6	21.22	198	25.8	22.47	504	7.5	23.71
750 - 999	242	8.7	24.86	225	31.1	22.22	588	10.2	22.44
1,000 - 1,249	155	10.3	12.63	227	37.9	23.47	463	14.0	20.23
1,250 - 1,499	126	15.9	15.82	254	44.5	25.63	376	16.8	21.80
1,500 - 1,999	146	30.5	24.92	434	53.7	27.82	449	16.5	20.94
2,000 - 2,499	57	22.8	23.26	285	64.2	29.55	222	22.5	20.68
2,500 - 2,999	36	22.2	23.51	149	69.8	32.42	144	22.2	24.77
3,000 - 3,999	25	16.0	30.56	123	78.9	35.77	130	27.7	22.54
4,000 - 4,999	-	-	-	36	86.1	35.16	64	21.9	26.41
5,000 - 9,999	-	-	-	18	94.4	60.20	54	42.6	29.55
10,000 - 19,999	-	-	-	-	-	-	14	64.3	67.22
Total and average	*1,430*	*12.4*	*20.50*	*2,078*	*49.0*	*28.99*	*3,305*	*14.5*	*23.30*

[1]Based on a survey made by the Bureau of Home Economics with figures adjusted to include all premiums paid (for business use as well as family use). In combining average percentages and average premiums for areas surveyed into regional and "all regions" figures, simple averages have been used.

[2]Includes some Negro families.

As in the case of life insurance, the percentage of families carrying insurance rises very rapidly with the increase in size of income. This rise is much more pronounced in automobile insurance than in health and accident insurance (fig. 4). On the other hand, average premiums paid for automobile insurance rise only slightly as the size of income increases.

Some significant regional differences appear to exist. Nearly one-half of the farmers owning automobiles in the New England, Middle Atlantic, North Central, and Pacific regions carried automobile insurance, whereas in the Plains and Mountain regions and in the Southeast region the proportion was but little more than one-eighth.

It may be significant that in recent years there has been a pronounced development of automobile insurance companies associated with farmers' organizations. The continuance of this trend may narrow the present spread between the proportion of farm families and of city and village families carrying such insurance. A further possibility is that farmers may obtain more favorable rates if the above-named organizations confine their underwriting activities to farmer risks.

SUMMARY

Farmers in general are not heavily insured compared with village and small-city residents. Moreover, the premiums paid by farmers are less than those paid by village and city residents, indicating that the amount of insurance carried is less. The percentage of persons carrying insurance and the amount of premiums paid vary with the size of income. Of the three types of insurance studied, life insurance is carried most frequently, automobile insurance next, and health and accident insurance least frequently. These generalizations apply alike to farmers and persons living in villages and small cities.

PRODUCTION CREDIT ASSOCIATIONS INCREASE LOANS.-- During 1939-40 the production credit associations made loans (including renewals) aggregating $329,000,000. This amount was about 6 percent greater than the $310,000,000 loaned during 1938-39.

Outstanding loans of the production credit associations rose from $188,000,000 on July 1, 1939 to $200,000,000 on July 1, 1940. There were increases in all geographic divisions, except in the New England and Pacific divisions. The largest increases, on a percentage basis, occurred in the West North Central and East South Central divisions.

On July 1, 1940, the outstanding loans of the production credit associations were distributed among the geographic divisions as follows: 21 percent in the New England, Middle Atlantic, and South Atlantic States, 29 percent in the North Central States, 25 percent in the South Central States, and 25 percent in the Mountain and Pacific States.

XUM

DETERMINING FARM-MORTGAGE RISK

C. D. KINSMAN, Agricultural Economist

The unusual number of farm foreclosures and related defaults during the past decade has led to increased interest of both lenders and borrowers in the reasons why loans break down. Low farm income and maladjustments in the price structure, whereby farmers have had to pay relatively high prices for many of their purchases, undoubtedly have been the immediate causes of a large portion of these loan difficulties. The fact that some relatively high loans have weathered such circumstances and that foreclosures have been much less serious in some areas than in others, however, suggests that some loan-risk factors have either been overlooked or have not been given proper consideration.

To obtain an understanding of the reasons for these loan difficulties and to apply the information effectively so that similar trouble may be avoided to a greater extent in the future requires not only the determination of what factors affect mortgage risk but also the development of a method whereby such information may be applied to obtain a more accurate measurement of loan soundness. One such method would be the development of a risk-rating system that could be used to evaluate each of the major loan-risk factors and to obtain a summary rating in which each factor would be weighted according to its relative importance. In this article some of the problems of developing farm-mortgage rating systems are discussed and one such system is outlined in detail.

Mortgage-risk rating is the process of analyzing and weighting the risk factors in mortgage loans. The information so obtained may be of service to the borrower through helping him to determine the quality of his property and the degrees of risks that he would be assuming in obtaining loans of different amounts, and it aids the lender to classify mortgages systematically in accordance with their quality as investments. It may also serve as a basis for determining the justifiable amount of loan on a property for different rates of interest that may be charged.

MANY ELEMENTS INVOLVED IN MORTGAGE RISK

Risk lies in the future. Risk rating, therefore, involves forecasting and prediction. It deals with probabilities. Risk rating involves determination of the likelihood of default and loss. Through systematic analysis of each major risk factor it seeks to foresee probable ways in which failure and trouble may occur.

The factors that contribute to farm-mortgage risk are both numerous and complex, and are subject to an almost infinite number of possible combinations. First among the factors that should be considered are the various community and locational characteristics, as these determine to a large extent the degree of desirability of an area as a loan territory. Different types of areas create different types of agricultural opportunities. A variety of factors, such as soil fertility, climatic influences, and agricultural markets, marketing facilities, and marketing costs, create differences in economic stability and trends.

Next to be considered are the characteristics of the specific property on which the loan is proposed. Different characteristics of individual farms create wide differences in the degree of risk of loans within the same community. Productivity of the soil often varies greatly within very short distances. Drainage, erosion, and noxious weeds are much more

XUM

serious problems on some farms than on others. Unfavorable topography, inconvenient farm arrangements, and soils that are difficult to handle greatly increase production costs on some farms.

Farm improvements are an important factor affecting farm-mortgage risk. Farm buildings have differing probabilities with respect to durability; and different methods of construction, different sizes, and different functional plans introduce different degrees of risk. The suitability of the buildings to the land is an important risk factor that frequently is not given proper consideration. A property that is too expensively improved or is lacking in essential buildings in relation to the extent and nature of the farming operations and the community standards is not as desirable for loan purposes as a property that has suitable improvements.

The location of the farm in the community with relation to improved roads, churches, schools, markets, and other community facilities, and the general desirability of the farm as a place to live are also highly important considerations in most cases. They are particularly important in case of part-time farms.

Also included in mortgage risk are the personal elements of the borrower, such as his experience and ability, his thrift, his attitude toward obligations, and his prospects for the future. In the final analysis the probability that a borrower will be able and willing to meet the mortgage obligation represents the first line of defense against trouble with the mortgage investment. Therefore, a poor borrower, when considered in relation to the mortgage transaction requires a low rating of mortgage risk. At the same time, however, a good borrower cannot go very far in substituting for sound real estate security, because the original borrower may not remain identified with the loan during its entire life.

From the standpoint of the lender the ratio of the mortgage loan to the value of the property pledged as security is, of course, also an important risk factor since his margin of safety is increased as the ratio of the loan to value is lowered.

WIDE VARIETY OF RISK-RATING SYSTEMS IN USE

Most institutions and individuals making farm mortgages use some process of estimating the risk involved. In the past many such processes have been unsystematic, reliance being placed to a large degree upon the individual opinion of the loan representative without making a careful analysis of the reasons for his conclusions. A wide variation in the quality of appraisals and many serious errors in lending have resulted, because without a systematic analysis the loan representative is frequently influenced in his decision by some particular characteristic of the security or of the borrower, and he overlooks or discounts the effects of other factors which have important bearing on the loan risk.

Some lending institutions have attempted to limit loan risk by restricting their loans to certain percentages of the appraised value of the property. The soundness of a mortgage transaction cannot always be thus assured. The ratio of loan to value expresses only the relationship between the loan and the property value at the time the loan is closed. It cannot throw sufficient light on the earning capacity of the property to carry the loan or the possibility of default for other reasons, nor can it fully indicate what relationship may exist between the loan and the property value and its earnings at a future time. Lending institutions also sometimes attempt to limit risk by restricting their loans to certain areas and to certain maximum loans per acre in the respective areas. The weakness of depending on such restrictions for loan soundness is that farms vary greatly in

quality in practically any area that may be set up, with the result that any maximum loan per acre that may be established does not assure uniformity of loan soundness. The risk characteristics of each individual loan must still be determined. Further, the limiting of loan activities to certain selected areas may result in the areas not so favored being left without adequate credit facilities, although there may be many properties in such areas on which loans would be fully as justifiable as on properties in the selected areas. Limiting of loan activities to certain specified areas may be practiced by private lending agencies without serious criticism, but public lending agencies are forced to give consideration to all areas if they are to perform properly the functions for which they were set up.

A number of systematic farm-mortgage risk-rating systems have been developed by lending institutions and others engaged in servicing farm loans or in analyzing farm-loan activities. The methods of classifying the risk factors vary considerably, but all are based upon a rating of each risk factor. One system used by several lending and farm servicing institutions rates each factor according to whether it is "superior," "satisfactory," "inferior," or "seriously low." Although no specified weights are assigned the various factors rated, consideration is given to the importance of each item in arriving at an over-all rating of the mortgage.

A system developed by the Federal Housing Administration for use in rating farm mortgages for mortgage insurance provides for grouping the many individual risk factors into a few significant relationships which are called "features." These features are, in turn, combined into larger groups described as "categories." The final or over-all rating is referred to as the "rating of the mortgage pattern." In contrast to the system described above, fixed weights are assigned to each of the features for use in rating the categories, and the categories in turn are assigned weights for use in obtaining the over-all rating. The weights assigned are based on the estimated degree that each influences the mortgage risk. The weights assigned to certain of the risk factors are left to the judgment of the appraiser where the relative importance of such factors varies materially in individual cases.

The advantages of assigning weights to the various factors or features in a rating system are that it simplifies the process of combining the various individual ratings in arriving at the over-all mortgage rating and it assists in preventing the loan representative from being unduly influenced by certain individual factors that may especially appeal to him. The disadvantages of assigning weights are the difficulties of arriving at the proper weights to use in each case, inasmuch as the relative importance of certain factors may vary with different types of farming, with different types of community, and with economic conditions. Insofar as it applies to different types of farming this difficulty can be taken care of by using separate rating schedules for each of the different farming types. Different schedules could also be developed for farms of the same type in different areas where the importance of certain of the factors differs materially. development of the proper weights is a serious problem which will require much more research for their proper determination. However, whether or not definite weights are assigned each risk factor, the loan representative must in every case either consciously or unconsciously weigh their relative importance in analyzing a loan application if he properly considers all of the important risks affecting the loan. The use of a weighted rating schedule is merely a more systematic and orderly procedure.

XUM

A SAMPLE FARM-MORTGAGE RISK-RATING SYSTEM

The system of farm-mortgage risk rating here outlined and illustrated by the accompanying rating schedules has weights assigned to the various risk factors or features as in the system developed by the Federal Housing Administration. Flexibility of weights for certain variable factors is obtained by using separate schedules for rating different types of farms. In using the system, provision is made first for rating the mortgage security and the borrower separately. To obtain the over-all mortgage rating the two ratings thus obtained are then combined with two factors relating to the terms of the loan and the ratio of property payments to the property income.

The ratings of the mortgage security and the borrower are obtained by first rating a number of risk "features," then combining these feature ratings to obtain the total ratings. Each feature is either an individual risk factor or a combination of several related factors which can be analyzed separately but treated as a unit. The risk contributed by each of the factors is reflected in the rating given the feature.

Not all of the factors affecting farm-mortgage lending have been included in the schedule. Mortgage-risk factors of prime importance that have been omitted are future changes in conditions affecting world and domestic trade, and future changes in price levels. These factors are too complex to be measured by the individual appraiser and can more properly be taken care of in the general policies of the lending institution, since such factors to a large degree affect all loans alike. Two other factors that have been omitted are the flexibility permitted the borrower in the making of his payments and the amount of supervision given the loan. A payment plan that permits varying the amount of the payments according to the current income from the property will probably experience less defaults than will contracts lacking such provision. Likewise, in cases where careful supervision of the loans is exercised, fewer defaults are likely to occur than in cases where little or no supervision is exercised. These factors have been omitted from the schedule since they can also be taken care of more properly when considering general policies than in rating individual loans. The effects of these factors in individual cases should, however, be taken into consideration and proper weights assigned when comparing mortgages made by different institutions that have materially different lending policies in these respects.

The features listed for "Rating the mortgage security" are grouped under three general headings, "Community economic features," "Physical and economic features of the farm," and "Home use and amenity features." This arrangement is provided so that consideration is given first to the general factors relating to economic conditions that affect mortgage lending in the community in which the farm is located; second, to the physical and economic factors relating to the individual farm; and third, to those features relating to the property as a place to live.

"Ratio of property payments to typical property income" is included as a risk feature in the final mortgage rating because it is a measure of the capacity of the property to carry the debt and to meet other property expenses and outlays. A loan on a property that has a low ratio of property payments to property income is less likely to default, and the property is less likely to be disposed of at a loss to the mortgagee in case of foreclosure, than a farm with a high ratio.

In rating "Ratio of property payments to typical property income," a choice of two ratios is provided - "Ratio of property payments to typical rental income," and "Ratio of property payments to typical owner-operator income." The first is preferable, as property-rental income can be more

easily and accurately determined than can owner-operator property income. The second choice is provided for use in areas where few farms are rented. Property payments include all items of property expense such as interest and principal payments on the mortgage and on bonded indebtedness, if any, and taxes and insurance. Typical property-rental income consists of the net rental income that the owner would normally receive from a typical tenant operating the property after deductions for any operating expenses such as purchase of seed, lime and fertilizer, and the repair of buildings, fences, etc., that are paid by the owner. Typical property income of an owner-operator consists of the net income that will be normally obtained by a typical owner-operator of the property after his cash operating expenses have been deducted.

The feature "Ratio of loan to farm value" is the final factor to be considered in rating the economic soundness of a mortgage. It is also the most flexible of all the factors affecting risk, as it can be varied at the option of the lending institution and can therefore be used to obtain almost any degree of loan soundness desired.

In rating this feature the loan-payment plan and the policies of the lending institution must necessarily be taken into consideration. Higher ratings are justified in cases where the payment plan is particularly favorable to the borrower and the policy of the lending institution is to exercise very close supervision of its loans, than in cases where the payment plan is less favorable and the policy of the lending institution is to exercise little supervision. It is therefore up to the lending institution in the establishment of its loan policies to determine what ratio of loan will justify a high rating and what will require a low rating.

In the case of an individual lending institution using the system to compare the economic soundness of loans made by that institution only, the procedure would be to give all mortgages having a maximum permitted ratio of loan to value a low rating in this feature. If a 60-percent loan is the maximum that the institution believes justified under any circumstances, then all 60-percent loans would be given a low or "poor-but-passable" rating in the "Ratio of loan to value" feature. Loans with ratios of say half this amount, or 30 percent or less, would then receive a high or "excellent" rating in this feature.

The total rating of the mortgage is the sum of the points received from the ratings of the four features - Ratio of loan to value, Ratio of property payments to property income, Rating of the mortgage security, and Rating of the borrower. A loan with a relatively low ratio of loan to value, while receiving a high rating for this feature, might receive a relatively low over-all rating because the security was an undesirable property or because of a low rating of the borrower; and a loan with a high ratio of loan to value, while receiving a low rating for this feature, might, because the security was a highly desirable property and the borrower had an excellent record, receive a higher over-all rating than the loan with the low ratio of loan to value.

The system may be used in determining the amount that can be justifiably loaned on a property by setting a minimum rating that the mortgage must receive to be eligible. A lending institution might decide that their mortgages must receive an over-all rating of say 70 percent to be eligible to a loan at a given rate of interest. The proposed mortgage would first be rated using the ratio of loan to value computed on the basis of the amount of loan requested by the borrower. If the rating so obtained turns out less than 70, the amount of the loan could be reduced and the points credited to ratio of loan to value be thereby increased to a point where the adjusted rating would equal the necessary 70 percent. If desired, the lending institution could use several rates of interest and establish minimum mortgage-score percentages for each of these rates. The higher interest rates

XUM

would justify assuming greater risks. An interest rate of 4 percent might require an over-all rating of say 70 or greater. A rate of 4½ percent might then be made to apply to mortgages rating say between 60 and 69, and a 5-percent rate to ratings between 50 and 59. A slightly different schedule arrangement would permit using the system directly in determining the justifiable ratio of loan to value for any farm-mortgage loan.

This approach to mortgage analysis is presented in the hope that it might suggest methods that may be used in improving the accuracy of mortgage-risk determination. The system described has not been tried and proved, and much more research will be necessary to determine if the weights assigned the various risk factors are satisfactory. Moreover, no such system can be applied on a strictly mechanical basis. Judgment must be exercised at each step of the procedure.

Instructions For Use Of Rating Schedule

The schedule is provided with five columns for rating each feature. The headings given these columns are "Reject," "Poor (but passable)," "Fair," "Good," and "Excellent." A sixth column is provided for totaling the number of points allowed. Each feature is rated by first placing a check mark opposite it in the proper grid column. A feature rating in the "Reject" column indicates that conditions relating to this one feature are so serious that a loan should be refused because of this one condition. A "Poor" column rating would indicate a very poor condition just above the reject margin. An "Excellent" column rating would indicate that excellent conditions pertain to the feature. Intermediate ratings cover the range in between. Numerals or weights appear in the upper half of each grid after each feature, except in the "Reject" column. These indicate the range of weights that have been assigned each column in rating the feature. In rating a feature the points given it would be somewhere within the listed weightings of the column checked. When the points to be given a feature have been determined, it is entered in the right-hand column headed "Points."

After all of the features listed under "Rating of mortgage security" have been rated, the points so obtained are added together. The total of the weights that may be obtained add up to 1,000. By dividing the sum of the points obtained by 10, a total rating of the mortgage security on a percentage basis is obtained.

The same procedure is followed in arriving at the rating of the borrower except that in this case the total weights assigned add up to 100. The total of the points obtained, therefore, gives a direct "Total rating of borrower" on a percentage basis.

In the final rating 25 points have been assigned to each of the four features, "Ratio of loan to farm value," "Ratio of property payments to typical income," "Rating of the mortgage security," and "Rating of the borrower." In determining the ratings of the mortgage security and the borrower the percentage ratings for these items as previously described are used. If these percentages amount to 80 percent or more, a check mark is placed in the first or "Excellent" column; if between 70 and 79 percent, the check mark is placed in the second column; if between 60 and 69, in the third column; and if between 50 and 59, in the fourth column. In determining rating of ratio of property payments to typical income a check mark is placed in the first or "Excellent" column if the rental income ratio is 60 percent or less or the owner-operator income ratio is 30 percent or less. Similarly, if these ratios are between 60 and 79 percent or 30 and 39 percent, respectively, a second-column rating would be given; if between 80 and 99 percent or 40 and 53 percent respectively, a third-column rating would be given, and if between 100 and 130 percent or 54 and 70 percent respectively, a fourth-column rating. Higher percentage ratios than these would result in a "Reject" check. A 130-percent ratio of property payments to typical rental income is permitted because a portion of the property payments ordinarily represents payment of principal. In the case of straight loans containing no provision for amortization of principal, the maximum ratio permitted should not exceed 100 percent in this feature, and in the case of amortized loans the ratio of property payments less principal payments to rental income should be limited to a maximum of 100 percent to be passable. Description of the procedure for rating ratio of loan to farm value is given in the text.

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Schedule for Rating Economic Soundness of Farm Mortgages

(Tentative form for general crop and livestock farms)

Features	Feature ratings and points					
	Reject	Poor	Fair	Good	Excel-lent	Points
RATING OF THE MORTGAGE SECURITY	XXX	XXX	XXX	XXX	XXX	XXX
Community economic features:						
1. Productivity and uniformity of the area		0-19	20-34	35-49	50-60	
2. Development and economic stability		0-10	20-34	25-49	50-60	
3. Freedom from hazard		0-12	13-24	25-33	34-40	
4. Diversification of production		0-6	7-12	13-16	17-20	
5. Nearness to consuming centers - marketing costs ..		0-12	13-24	25-33	34-40	
6. Marketing facilities and dependability of markets		0-6	7-12	13-16	17-20	
7. Social characteristics, thrift, and debt-paying record		0-19	20-34	35-49	50-60	
Physical and economic features of the farm:	XXX	XXX	XXX	XXX	XXX	XXX
8. Productivity and uniformity of the soil		0-29	30-57	58-79	80-100	
9. Topography and drainage		0-12	13-24	25-33	34-40	
10. Freedom from erosion, floods, noxious weeds, etc.		0-12	13-24	25-33	34-40	
11. Ease of handling soil		0-4	5-7	8-10	11-12	
12. Convenience of farm lay-out		0-6	7-12	13-16	17-20	
13. Suitability of size		0-6	7-12	13-16	17-20	
14. Convenience of location - trading points, roads, and other economic facilities		0-12	13-24	25-33	34-40	
15. Adaptation to customary community use		0-6	7-12	13-16	17-20	
16. Improvements - structural soundness and condition		0-19	20-34	35-49	50-60	
17. Suitability of improvements to community standards and farm requirements		0-19	20-34	35-49	50-60	
18. Stability and uniformity of gross income		0-24	25-48	49-66	67-80	
19. Ratio of cash operating expenses to income (%)		0-12 (70-90)	13-24 (55-69)	25-33 (40-54)	34-40 (40-)	
20. Flexibility of operating expenses		0-6	7-12	13-16	17-20	
Home use and amenity features:	XXX	XXX	XXX	XXX	XXX	XXX
21. Community services		0-19	20-34	35-49	50-60	
22. Social attractiveness		0-12	13-24	25-33	34-40	
23. Architectural and scenic attractiveness		0-8	9-14	15-20	21-24	
24. Functional appropriateness		0-8	9-14	15-20	21-24	
Total points						
Percentage rating of mortgage security (total points ÷ 10)						

Schedule for Rating Economic Soundness of Farm Mortgages - *Cont.*
(Tentative form for general crop and livestock farms)

Features	Feature ratings and points					
	Reject	Poor	Fair	Good	Excel-lent	Points
RATING OF THE BORROWER	XXX	XXX	XXX	XXX	XXX	XXX
1. Social characteristics, thrift, and debt-paying record		0-5	6-10	11-13	14-16	
2. Experience and ability to operate or manage farm		0-5	6-10	11-13	14-16	
3. General resourcefulness and ability		0-2	3-4	5-6	7-8	
4. Motivation or purpose of loan		0-5	6-10	11-13	14-16	
5. Ratio of total indebtedness (including pending loan) to assets		0-5	6-10	11-13	14-16	
6. Adequacy of income to meet expenses and living standards		0-6	7-11	12-16	17-20	
7. Adequacy of operating capital and equipment		0-2	3-4	5-6	7-8	
Total rating of borrower (sum of borrower points)						
RATING OF THE ECONOMIC SOUNDNESS OF THE MORTGAGE	XXX	XXX	XXX	XXX	XXX	XXX
1. Ratio of loan to farm value (%)		0-7	8-14	15-20	21-25	
2. Ratio of property payments to typical income a. Rental income ratio (%) or b. Owner-operator income ratio (%)		0-7 (100-130) (54-70)	8-14 (80-99) (40-53)	15-20 (60-79) (30-39)	21-25 (60-) (30-)	
3. Rating of the mortgage security (points)		0-7 (50-59)	8-14 (60-69)	15-20 (70-79)	21-25 (80-100)	
4. Rating of the borrower (points)		0-7 (50-59)	8-14 (60-69)	15-20 (70-79)	21-25 (80-100)	
Total rating of the economic soundness of the mortgage						

HOLDING SURPLUS FARM PRODUCTS WITH GOVERNMENT CREDIT

GEORGE Y. JARVIS, Associate Agricultural Economist

Borrowing to hold crops for a better market is not new. Loans for this purpose have long been available from commercial banks, and during the past two decades from various government lending agencies. Among the many institutions that have extended credit for the "orderly marketing of farm products," however, the Federal Farm Board and the Commodity Credit Corporation occupy unique positions, as they alone have accepted the risks of supporting farm prices.

THE FEDERAL FARM BOARD

Equipped with a fund of half a billion dollars, the Federal Farm Board made determined attempts in 1929-31 to maintain wheat and cotton prices, which fell nevertheless to about one-third their early 1929 levels. Even quite conservative financing of holding operations during such a period of falling values could have produced losses, and as the Board made loans up to a high proportion of current values to the stabilization corporations set up to stabilize the prices of grain and cotton, its stabilization losses were very great.[1]

Less in the public eye but more important in the view of the Farm Board was the establishment of Nation-wide systems of cooperative marketing for the principal farm products. Farmers' associations were encouraged to assume functions previously performed by middlemen. One of the important functions of middlemen is the holding of farm products from harvest time until they are wanted by consumers, and it was believed that the gains from those holding and "market feeding" operations should be had by producers. However, in contrast to the more conservative advances by commercial banks, Federal Intermediate Credit Banks, and more recently, the Banks for Cooperatives, to enable cooperative associations to carry on such operations, many of the Board's loans to cooperatives became in effect price-supporting loans. Loans were granted the associations on bases permitting liberal advances to their farmer-members at a time when market values were being forced rapidly down to the loan values.[2]

COMMODITY CREDIT CORPORATION

The farm legislation of 1933 did not include provision for price-supporting loans, and in fact sought to liquidate the stocks of cotton still held by the Federal Farm Board as a result of such operations.[3] The Reconstruction Finance Corporation had, however,

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[1]The ratio of loss per dollar loaned was increased by the practice of making "supplemental" loans; that is, additional advances on commodities already subject to bank loans. This practice enabled the Board to spread its funds over a larger area and increased the support temporarily given to prices, but at more risk to the revolving fund than if the Board had insisted on being the primary lender.

[2]Relief of the cotton and wheat cooperatives of burdens incident to such financing was a principal reason for organization of the stabilization corporations.

[3]By directing that the cotton be sold to the Secretary of Agriculture, who was authorized to sell it back to cotton producers complying with acreage reduction program, on terms permitting the latter to gain on the final sale of this cotton in the markets at the improved prices contemplated by the AAA programs.

XUM

been authorized in 1932 to make loans to "institutions, organized under the laws of any State or of the United States ..... enabling them to finance the carrying and orderly marketing of agricultural commodities and livestock produced in the United States." Under this authority the Commodity Credit Corporation was organized in October 1933 under Delaware laws, with officials of the Reconstruction Finance Corporation, the Department of Agriculture, and the Farm Credit Administration designated to act as officers and directors, and during the first 5 years of operations its loan funds were borrowed from the Reconstruction Finance Corporation. Extensions of the Corporation's activities have been authorized by Congress from time to time, and the Agricultural Adjustment Act of 1938 directed that loans be made on cotton, corn, and wheat of not less than 52 percent and not more than 75 percent of parity when supplies or prices are at certain levels.

An outstanding feature of loans offered to farmers by the Commodity Credit Corporation is that they are made "without recourse." It is this feature's attractiveness to borrowers which makes such loans effective, if they are widely available, in putting a temporary floor under a sagging market. Producers can avoid marketing their crops for less than the loan value, knowing that, if prices do not improve, nonrecourse loans can be considered for all practical purposes as sales to the Government. If prices do improve, they have but to pay off the loans and accrued charges, and are then free to sell at a profit.

COTTON AND CORN LOAN PROGRAMS

The first loan programs, for cotton and for corn, were announced in September and October 1933. It was expected that the relapse in prices just then occurring would prove temporary, and that if liberal advances were made on cotton and corn, the flow of purchasing power to distressed rural areas would be helpful in restoring general prosperity and would allow farmers to profit from the price increases expected to result from the new agricultural programs. The lending rates of 10 cents a pound on warehoused cotton and of 44 cents a bushel on farm-stored corn meant, at the time these rates were established, that the Corporation would loan the full market value of cotton and considerably more than the farm price of corn.

Due to other developments as well as the loan programs, corn and cotton prices in the winter of 1933-34 did rise to the loan values and above. Low yields in 1934, together with the acreage-reduction programs and the restoration of consumer purchasing power, brought about further improvement in basic price-making factors, with the result that the first corn and cotton loan programs were liquidated satisfactorily. The advantage of such a system of impounding supplies at a time of abundance for use in a time of scarcity was strikingly demonstrated in the case of corn. With about 270 million bushels of corn stored under seal on nearly 200,000 farms, the first corn loan served to discourage excessive livestock feeding in the winter of 1933 and made larger quantities of feed available after the following summer's drought. The average value of the sealed corn as it was released has been estimated as high as 30 cents a bushel above the loan value and accrued charges; and, equally important, in many cases it was a means of saving livestock for which little or no feed would otherwise have been available.

If the benefits of a commodity loan system were demonstrated by the 1933 corn loan, some pitfalls were plainly seen following the 1934 cotton loan program. The base loan rate was 2 cents a pound higher than that offered the preceding year; but, at the time it was established, it was lower in relation to the market than the previous rate had been when announced. Considering the demand for still higher loans, and the prevalent expectations of continued price improvement, the loan rate may have appeared as rather conservatively placed. Prices soon weakened, however, and a quantity of cotton equivalent to

nearly half the 1934 crop went under the loan, with a consequent adverse effect on exports. World consumption of foreign cotton was stimulated, and foreign production of cotton, already expanding, was possibly encouraged by this development.

Table 1 shows the quantities of corn and of cotton pledged under each loan program since the beginning of the Commodity Credit Corporation, the quantities withdrawn each season from the Government-financed stocks, and the quantities remaining in the category of loan stocks or of stocks owned by the Corporation. The relation of loan rates to prevailing market prices is indicated for each lending season. Increases and decreases of Government-financed stocks were governed to a large extent by this relationship.

OTHER FINANCING OF FARM SURPLUSES

While most of the loans made or underwritten by the Commodity Credit Corporation have been granted to individual farmers on the security of cotton, corn, wheat, or wool, the Corporation performs other types of financing to meet special situations.[4]

Loans have been made to cooperative associations on butter, dates, figs, hops, naval stores, peanuts, pecans, prunes, raisins, and tobacco. Frequently these loans are made in connection with programs for the diversion of surpluses to by-products or to relief. For example, peanut growers' associations are authorized to acquire peanuts at specified prices from the growers, using funds advanced by the Commodity Credit Corporation. The associations' holdings which cannot be sold profitably on the market are disposed of at reduced prices to crushers for the extraction of peanut oil, the difference in price being made up to them from funds provided by Congress for surplus removal programs. Thus the Commodity Credit Corporation can expect its loans to be repaid in full, with interest.

The Corporation's usefulness in meeting critical market situations was illustrated in the winter of 1939-40 after the abrupt withdrawal of British tobacco buyers following the outbreak of war. This development, coming as a record crop of flue-cured tobacco was being harvested, demoralized the markets. After growers had accepted marketing quotas for the 1940 crop involving adjustments to the changed outlook, the Commodity Credit Corporation purchased 173.7 million pounds of flue-cured tobacco, with options thereon granted to British companies to be exercised if exchange becomes available before July 1941. Some dark tobacco of the 1939 crop was also purchased subject to option of foreign purchasers; and a somewhat similar program is in operation for the current crop of flue-cured tobacco.

The Dairy Products Marketing Association has been authorized to purchase butter each of the past 3 years at such prices as to put a floor under the market. Loans to cover the cost of the butter as well as storage and handling expenses are advanced by the Commodity Credit Corporation, it being understood that what cannot later be sold into regular commercial channels at seasonal price increases will be purchased by the Surplus Marketing Administration - the Federal Surplus Commodities Corporation before July 1, 1940 - for distribution to persons of low income. At the beginning of a season it is not possible to forecast accurately how much butter should be permanently removed from ordinary trade channels in order to keep prices from falling below a desired level. Accordingly, a certain quantity is temporarily removed through storage under loan and then with the passage of time as much as necessary is permanently removed through distribution to the needy. If the Government agency charged with distributing surpluses for relief

[4] A few other loan programs have involved loans to individual producers, viz. loans on barley, rye, Wisconsin tobacco, and 1934-35 turpentine and rosin.

Table 1.- Cotton and corn loans: Quantities pledged and withdrawn from Government-financed stocks, loan rates, and prices

Marketing year[1]	Quantity pledged under loan	Quantity withdrawn from loan stocks or sold by Commodity Credit Corporation			Quantity remaining under loan, or owned by Commodity Credit Corporation[2]	Loan rate[3]	Prices		
		Current crop	Previous crop	Total			Nov.[4]	Feb.[4]	Average for market-year
Cotton	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*	*Cents per lb.*	*Cents per lb.*	*Cents per lb.*	*Cents per lb.*
1933-34	[5] 1,926	[5] 841	-	[5] 841	[5] 1,085	10	9.6	12.0	10.8
1934-35	4,632	179	[5] 1,085	[5] 1,264	4,453	12	12.5	12.5	12.4
1935-36	114	37	1,293	1,330	3,237	10	11.8	11.3	11.5
1936-37	-	-	1,572	1,572	1,665	-	12.1	12.9	12.7
1937-38	5,581	282	-	282	6,964	9	7.8	8.9	8.7
1938-39	4,482	369	28	397	11,049	8.3	8.6	8.5	8.7
1939-40	28	7	2,353	2,360	8,717	8.3 to 8.9	9.2	10.6	9.9
Corn	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*	*1,000 bushels*	*Cents per bu.*	*Cents per bu.*	*Cents per bu.*	*Cents per bu.*
1933-34	[5] 267,758	[5] 186,118	-	[5] 186,118	[5] 81,640	45	41	46	52
1934-35	20,075	20,073	[5] 81,640	[5] 101,713	2	55	76	85	82
1935-36	30,966	30,548	2	30,550	418	45	56	56	66
1936-37	158	93	418	511	65	55	95	104	104
1937-38	47,117	1,909	65	1,974	45,208	50	48	52	52
1938-39	229,837	[6]	[6]	14,191	260,854	57	40	44	50
1939-40	301,865	[7] 51,433	[7] 29,906	[7] 81,339	[7] 481,380	57	47	55	[7] 56

[1] August 1 to July 31 for cotton, and October 1 to September 30 for corn.

[2] As of end of marketing year.

[3] Basic lending rate. Some technical variations, year to year, but in general cotton rates shown are for middling grade 7/8 inch staple, and corn rates are for corn of merchantable quality, with adjustment for moisture content.

[4] Average of 10 spot markets for cotton (middling 7/8 inch), and average farm price on 15th of each month for corn.

[5] Excludes some loans made by private lending agencies in 1933 and not reported.

[6] Exact data not available separating withdrawals of 1938 and 1937 corn.

[7] Preliminary.

should itself make large purchases with the idea of selling back as much as possible into trade channels, a considerable opposition might develop when the selling back was attempted, opposition that does not emerge when the association withdraws "its own" butter from the loan.

No loans on fresh fruits, vegetables, meats or eggs have been made by the Commodity Credit Corporation. The costs of refrigeration and the risks of spoilage are important obstacles to the financing of holding operations for such commodities. Agencies now forming part of the Surplus Marketing Administration have for several years, however, made outright purchases to relieve temporary gluts in the markets for perishables. Often removal of only a fraction of the surplus has a considerable effect in restoring market stability.

Sometimes even the expectation that the Government will enter the market becomes a market influence. An important underlying factor is the trade's confidence that quantities purchased will be distributed to low-income consumers, or exported, or turned into by-product uses, and thus will not flow back into the regular markets. The same factor is involved in the loan programs operated in conjunction with the surplus removal programs such as those for butter, peanuts, prunes, and dark tobacco. For, while stocks purchased with Government funds may be released by the cooperative associations back into regular channels of commerce, the trade is given to understand that such stocks will not be put on the market at prices below certain levels, - and if necessary will be otherwise disposed of.

COMMODITY LOANS SUMMARIZED

Total loans made or guaranteed by the Commodity Credit Corporation from organization to July 1, 1940 are summarized in figure 1.[5] Of the $1,673,000,000 loaned during nearly 7 crop years, 53 percent was on the security of cotton, 28 percent on corn, and only 10 percent on wheat. Loan programs for wheat had been offered only in 1938 and 1939, however. In addition to the wheat loans shown on the chart, loans aggregating 185 million dollars on 257 million bushels of 1940 wheat had been reported by November 19, 1940. On this date, also, a large-scale loan program was actively going forward on 1940 cotton, and a new corn loan was announced November 20. Other programs, less outstanding from the standpoint of dollars involved, were operating with considerable effect on market conditions for the individual crops involved.

Figure 2 shows the volume of Commodity Credit Corporation loans outstanding at the beginning and the midpoint of each year from 1935 to date and the book value of commodities owned by the Corporation on each date. The loans outstanding may be held either by the Commodity Credit Corporation itself or by banks or other private lending agencies. Most loans are in the first instance obtained by farmers from the private agencies on forms provided by the Corporation, the latter agreeing to take them over when requested.

Of the 870 million dollars in loans outstanding or commodities owned by the Corporation on July 1, 1940, nearly 55 percent represented cotton and 37 percent represented corn. The cotton loans amounted to 106 million dollars, while the 6.6 million bales of cotton owned were carried on the books at 369 million dollars. In addition, 35,063 tons of rubber valued at 10.6 million dollars were held in the place of cotton, in consequence of an agreement with Great Britain for exchange of strategic raw materials.

LOSSES TO THE GOVERNMENT FROM PRICE-SUPPORTING LOANS

Final liquidation of the Federal Farm Board's operations will probably show a loss of at least 277 million dollars resulting from the efforts to support wheat and cotton prices. This figure is an estimate. It excludes a part of the amounts charged against the Board's revolving fund but adds certain losses met by special congressional appropriation in disposing of the Board's holdings. At the direction of Congress, 844,063 bales of cotton and 85,000,000 bushels of wheat were donated to the American National Red Cross; and over a million and a half bales of cotton financed by the Board were transferred to the Secretary of Agriculture for sale at less than market value to farmers cooperating in the adjustment program. In estimating the loss from these complicated transactions, the following have been excluded:

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[5] Some 1933 cotton and corn loans made by private lending agencies are not included, not having been reported to the Corporation.

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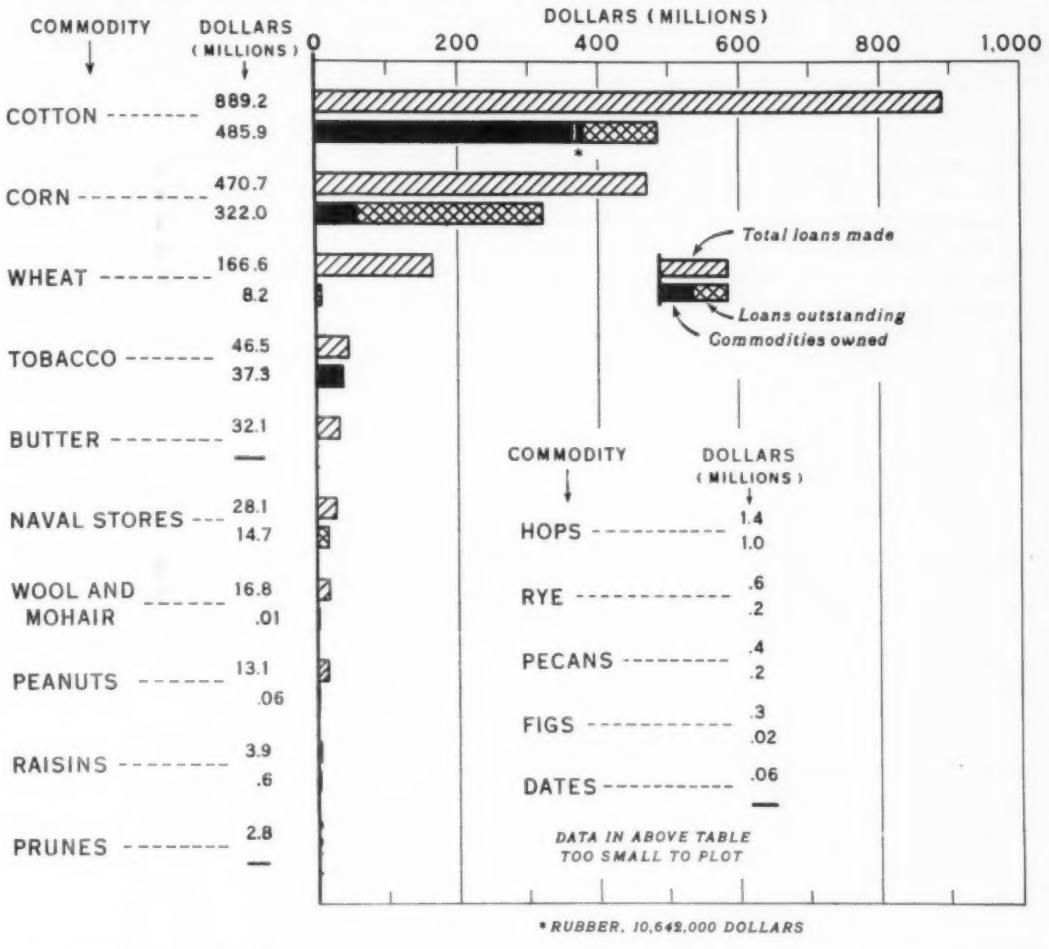
COMMODITY CREDIT CORPORATION: LOANS MADE FROM DATE OF ORGANIZATION, LOANS OUTSTANDING, AND BOOK VALUE OF COMMODITIES OWNED, BY COMMODITIES, JULY 1, 1940



U. S. DEPARTMENT OF AGRICULTURE NEG. 38728 BUREAU OF AGRICULTURAL ECONOMICS

FIG. 1.- Data include loans made by CCC and guaranteed loans made by private lending agencies. Renewals and extensions are excluded. Loans outstanding include disbursements by CCC for accrued charges. Tobacco "loans made" include $36,878,348 advanced for purchase and processing of tobacco under option to purchase granted several tobacco companies

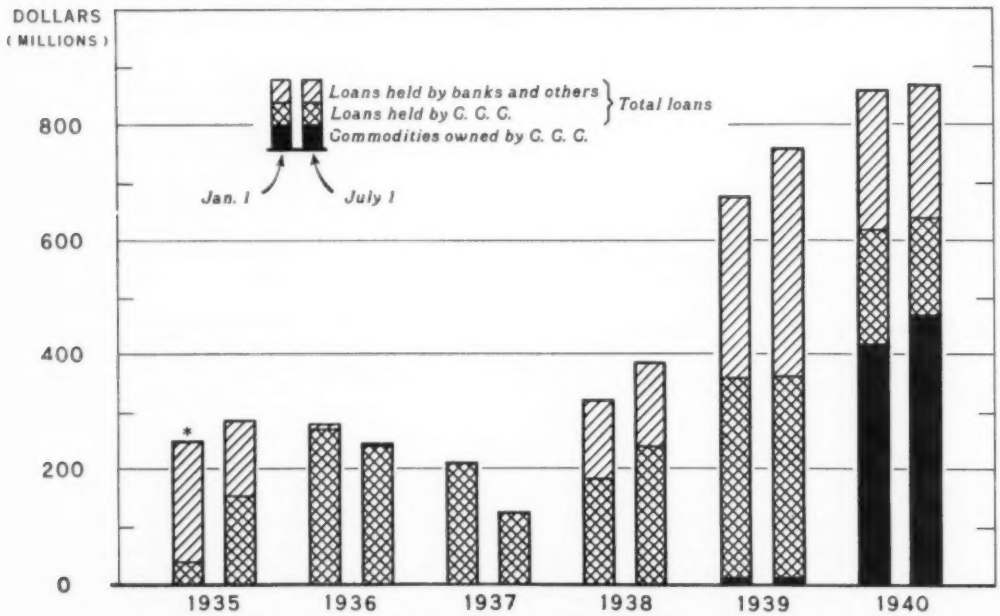
FIGURE 1.

(1) The Board's equity in the cotton and wheat donated to charity, based on market values current at the times of the donations.
(2) The difference between the payment received by the revolving fund for the cotton transferred to the Secretary of Agriculture, and the amount received by the Secretary from the sale of this cotton. This difference may be considered a cost of the agricultural adjustment program.

In addition to the losses on cotton and wheat, some losses also resulted from the Board's price-supporting loans to cooperative associations holding other farm and livestock products.

The amounts actually written off to date by the Commodity Credit Corporation have been small, but the paper losses on the commodities accumulated by the Corporation but not yet disposed of are several times as large as the losses realized. A law enacted early in 1938 requires that an audit and appraisal of the Corporation's assets be made by the United States Treasury as of the end of March each year, and that if net worth is thereby shown to be less than $100,000,000 the amount of the capital impairment is to be restored from public funds. On the other hand, if the appraisal shows net worth to be in excess of $100,000,000, the excess is to be used by the Secretary of the Treasury in retiring part of the public debt.

AMOUNT OF LOANS HELD OR GUARANTEED, AND BOOK VALUE OF COMMODITIES OWNED BY COMMODITY CREDIT CORPORATION, JAN. 1 AND JULY 1, 1935-40



*EXCLUDES SOME LOANS ON 1933 CORN AND COTTON NOT REPORTED BY LENDING AGENCIES

U. S. DEPARTMENT OF AGRICULTURE NEG. 38727 BUREAU OF AGRICULTURAL ECONOMICS

FIGURE 2.

The first appraisal, as of March 31, 1938, showed the Corporation's capital to be impaired in the amount of $94,285,405. This impairment was restored by congressional appropriation. The March 1939 appraisal showed a further impairment of $119,599,918, which was also restored by Congress. In contrast to the preceding appraisals, that of March 1940 showed a surplus of $43,756,731. The Corporation was required to return that amount to the Treasury, leaving the net apparent cost of operations to that date approximately 170 million dollars. The substantial rise in cotton and grain prices between March 1939 and March 1940 was largely responsible for the decrease in paper losses between the two dates.

Estimates of losses based on current market values must allow a considerable margin for error. Especially is this true when the Government-financed stocks of a commodity constitute a large fraction of total supplies. An attempt to liquidate, unless carried out gradually and in the face of strengthening demand, would probably depress prices and magnify the losses finally sustained. On the other hand, if advancing prosperity should strengthen prices substantially and if the markets are not flooded by newly produced supplies, there is a chance that the Commodity Credit Corporation may ultimately be able to show no net loss. A thorough financial analysis of commodity loans should keep in view, of course, the absorption by agencies other than the Corporation of the costs of disposing of some of the surpluses against which loans have been made. In this connection, a distinction would be called for between the loans made in anticipation of the unsold surpluses being purchased by another agency and those loans not so made.

A COMMODITY LOAN SYSTEM CONTRASTED WITH A SYSTEM OF GOVERNMENT PURCHASES

In the operation of a National Storehouse, or "Ever-Normal Granary," the commodity loan has some advantages and also certain disadvantages, compared with outright purchases and sales by the Government. Advantageous to the farmer is the fact that under the loan system he retains title to his crop when it goes into the Government-financed reserve, and may redeem it and take a profit if the price goes up. The example of the 1933 corn loan has been cited. Many wheat producers last spring were able to dispose of their wheat for as much as 30 or 40 percent more than loan value, although loans had been made above the market during part of the preceding summer. If the Government had purchased their wheat instead of lending on it, those farmers would have failed to share in the gain that was realized by middlemen and by farmers able to hold their wheat during the fall and winter months.

From the Government's standpoint, however, taking part of this gain for itself would help to offset losses from other stabilization operations. Over a period of years, the public Treasury might conceivably come out with gains more than counterbalancing losses[6] if purchases and sales were used instead of a loan system which passes on gains but not losses to producers.

Against the possibly lower final cost of a purchase-and-sale system is the question of administrative feasibility. In case the Government undertakes to sell some of its holdings at a time when prices are rising, the action tends to be interpreted by producers as "the Government breaking the market," and opposition can too easily hinder the

[6] The difficulty of attainment of such a result by a public agency endeavoring to raise agricultural income is suggested by the material in "Agricultural Reform in the United States," John D. Black, pp 129-176; "A Statistical Examination of the Problems of Handling Annual Surpluses of Non-perishable Farm Products," Mordecai Ezekiel, Journal of Farm Economics, April 1929. "Profits and Losses from Holding Crops," F. A. Pearson and W. I. Myers, in Farm Economics (Cornell), February 1940

operation of this part of the system. Of course, if prices decline and fail to recover after holdings or loan stocks have been built up there is little practical difference between the administrative problems resulting from stabilization loans and from stabilization purchases. Even then, however, the loan system seems to have some advantage in discouraging continued overproduction, particularly in the case of farm-stored commodities. The farmer whose cribs or bins are full of sealed grain, nominally his, is more likely to recognize a need for reducing new production than if his grain were stored somewhere else after purchase by a distant Federal Government.

GOVERNMENT-FINANCED HOLDING OPERATIONS AND THE CONTROL OF PRODUCTION

Many attempts to support the price of a raw material have seemed to defeat themselves because producers did not hold their production to a volume that could be sold at the prices established. When the volume of production has not been held in check, price supports have had at best only temporary value. Surpluses have piled up and prices ultimately have been forced down. In some cases, producers have found themselves in a worse condition after abandonment of the experiments than before they were begun.

In this connection, the Farm Board's experience is frequently cited as an object lesson. The accumulation period in the Board's cotton and wheat stabilization operations began during the 1929 marketing season and was terminated before the large 1931 crops were harvested. The growth of Government-financed stocks during this period is indicated in figures 3 and 4. Adequate cooperation of farmers in reducing production was not successfully enlisted. (See table 2.) The world-wide disappearance of purchasing power, the increase of foreign production, and the growth of restrictions on international trade, joined with large domestic production to create market pressures against which, the Board recognized, even extensive and expensive efforts to shore up the price structure could not prevail. In 1931, the Board stated:

"Many people have thought 'stabilization' means to hold the price permanently higher than it otherwise would be. This cannot be done without control of production ..... So long as farmers do not make the necessary readjustments, emergency stabilization measures can give only temporary relief."[7]

The loan programs of the Commodity Credit Corporation are operated, so far as possible, not as independent price-supporting measures but as an adjunct of other measures for keeping supplies within bounds. Marketing quotas, agreements, and acreage adjustments are used to limit the flow of supplies to the market and diverse surplus removal programs are employed to enlarge the flow of supplies from the market. In such a mechanism, the government-financed holding operation may be regarded as a shock absorber or a device to take up slack until other programs can be made effective. Moreover, in the administration of all these programs, surplus production is allowed to exert some pressure upon prices in order to encourage farmers to reduce excess production and in order not to restrict consumption unduly.

RELATION OF GOVERNMENT-FINANCED HOLDING OPERATIONS TO VOLUME OF CONSUMPTION

If not counteracted by other measures, raising the price of a commodity tends to diminish its consumption. The elasticity of demand is fundamental in determining the extent to which it pays producers to reduce market supplies by holding operations and production control.

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[7] Pp. 36-37. Second Annual Report, Federal Farm Board.

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COTTON: DISAPPEARANCE, TOTAL STOCKS AT END OF YEAR, AND FARM PRICE, 1922-39

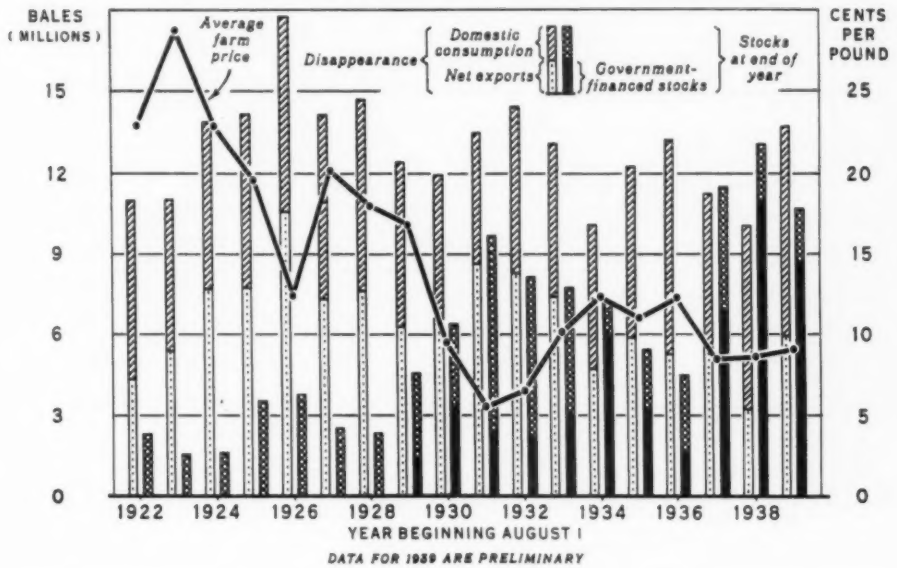

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FIGURE 3.

WHEAT: DISAPPEARANCE, TOTAL STOCKS AT END OF YEAR, AND FARM PRICE, 1923-39

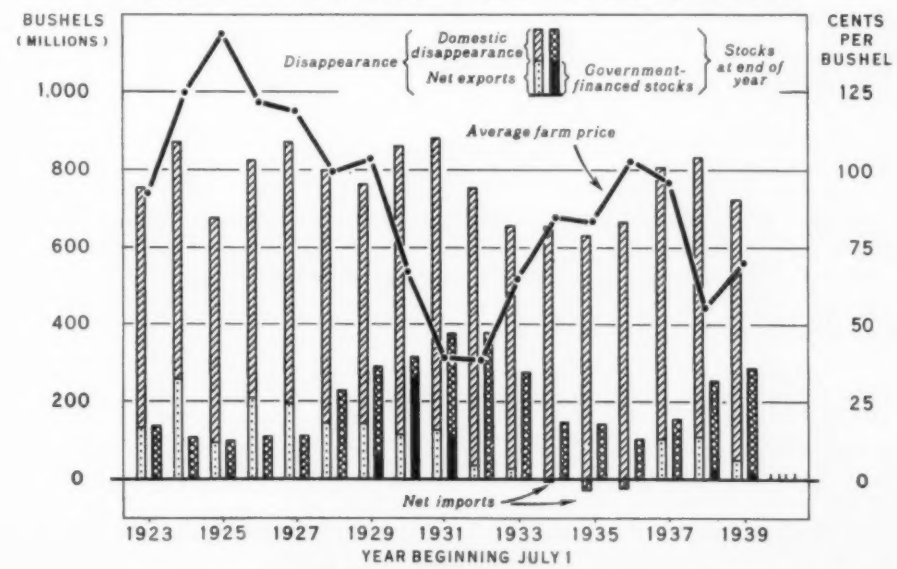

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FIGURE 4.

Table 2.- Average annual prices of wheat and cotton, quantities taken from the markets, carry-over, acreage on which production was attempted in succeeding years, and actual production in succeeding years, United States, 1928-33[1]

Wheat

Marketing year	Season average price received by farmers	Exports and domestic utilization	Carry-over following July 1	Acreage, yield, and production, following year		
				Acreage seeded	Yield	Production
	Dollars	*Million bushels*	*Million bushels*	*Million acres*	*Bushels*	*Million bushels*
1928-29	1.00	798	228	67	13	823
1929-30	1.04	763	289	67	14	886
1930-31	.67	862	313	66	16	942
1931-32	.39	879	375	66	13	757
1932-33	.38	754	378	68	11	552

Cotton[2]

			Carry-over following August 1	Acreage in production July 1		
	Cents	*1,000 bales*	*1,000 bales*	*Million acres*	*Pounds*	*1,000 bales*
1928-29	18.0	15,135	2,312	44	164	14,548
1929-30	16.8	12,796	4,530	43	157	13,756
1930-31	9.5	12,023	6,370	39	211	16,629
1931-32	5.7	13,574	9,678	36	173	12,710
1932-33	6.5	14,556	8,165	40	213	[3]12,664

[1]Data are for crop years July through June for wheat, and August through July for cotton.

[2]Bales are running bales.

[3]After operation of first AAA program.

Even a commodity with quite inelastic demand on the home market, as wheat, may have in normal times a foreign demand that is somewhat more responsive to changes in price. From the standpoint of the farmer, it may pay to reduce marketings to a certain point, but beyond that point his income may be reduced, at least in the long run, and the development of competitive products may be promoted.

From figures 3, 4, 5, and 6 it appears that there has been an upward trend in the amounts of cotton, wheat, corn, and flue-cured tobacco carried over from season to season in the United States since the early 1920's. This trend, in the case of cotton and wheat, at least, is shown to have been accompanied by a generally downward trend in exports. Although not shown on the chart, the loss of foreign markets for livestock products also has adversely affected consumption of corn (as has also the widespread replacement of work animals by machines). It is often hard to distinguish between the effects on exports of domestic price policies and of unfavorable developments abroad over which we have no control. Trade restrictions, however, and more recently, the wars in Asia and Europe, have without question contributed greatly to the loss of foreign markets for our agricultural products.

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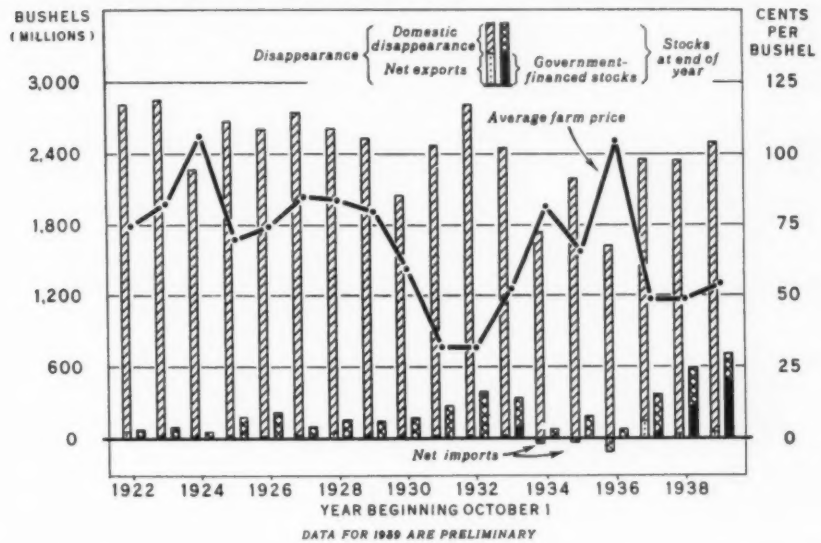
CORN: DISAPPEARANCE, TOTAL STOCKS AT END OF YEAR, AND FARM PRICE, 1922-39



DATA FOR 1939 ARE PRELIMINARY

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FIGURE 5.

FLUE-CURED TOBACCO: DISAPPEARANCE, TOTAL STOCKS AT END OF YEAR, AND FARM PRICE, 1926-39

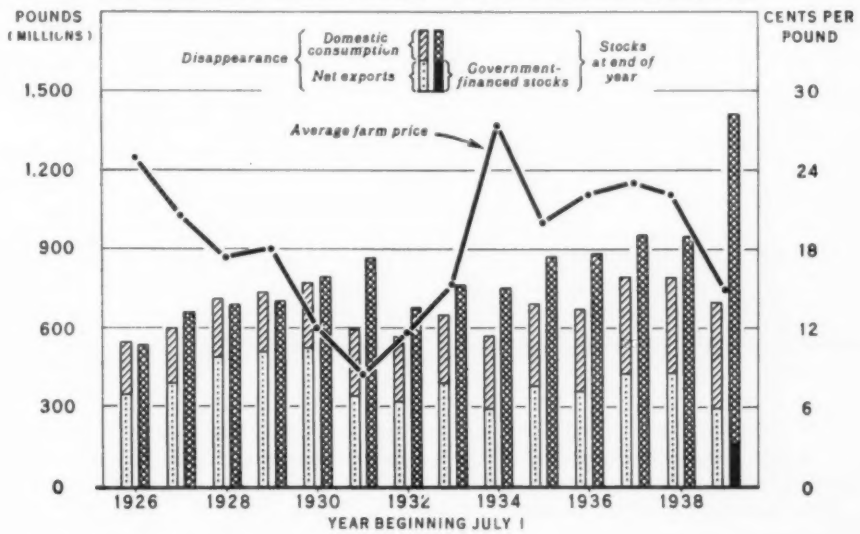

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FIGURE 6.

"Disappearance" is divided into exports and domestic consumption on basis of estimates by AAA.

The effect of government loan programs, and of other price-raising measures, upon the consumption of foods and fibers can be counteracted in several ways. Measures not regarded as primarily for the relief of agriculture have nonetheless contributed substantially to increased consumption of farm products in this country, by augmenting general consumer buying power. Altering the foreign exchange value of the dollar in 1933 permitted exports to continue on a more nearly competitive basis than would otherwise have been possible, while domestic prices were being raised. The decrease in the volume of loan cotton from August 1939 to August 1940 (fig. 3) was assisted by the cotton export payment program in operation during part of the period. Liquidation of the 1938 wheat loan was aided by the wheat export payment program. The development of new uses for farm products through research and consumer education, and the several programs to increase consumption by persons of low income, are expanding the domestic market. Finally, to the extent that the Defense Program, or new industries generally, can absorb the unemployed and aid in shifting farmers to better paying jobs, the need for holding products under government loan and for restricting production will be diminished.

RELATION OF COMMODITY LOANS TO FARM INCOME

A primary objective of agricultural policy has been the improvement and stabilization of farm income, an objective which commodity loans may further in several ways. First, they plainly may serve to reduce the fluctuations in cash returns caused by normal variations in the size of crops or in the rate of consumer expenditure. Ordinary stabilization operations of this kind may be conducted at little net cost and without need for extensive adjustments in acreage. Careful analysis of such operations requires a distinction, however, between their effects upon incomes of farmers participating in a loan program and upon the incomes of those who, eligible or ineligible, do not participate.

Second, price sustaining loans may serve temporarily to cushion the impact of an abrupt shrinkage of markets such as may be caused by a war or a depression. Uncertainty as to the outcome of the crisis makes for doubt as to whether a drastic reduction in the volume of production will ultimately prove necessary, or whether a restoration of demand may be anticipated. Until the situation is clarified, the loan program may serve to relieve farm distress and to save farmers from making more radical adjustments than may finally prove to have been needed. Examples of this type of operation are current programs for financing prunes, tobacco, and raisins.

Third, carefully devised loan programs make possible a lengthening of the time required for achieving adjustments recognized as necessary. This is illustrated by the loan and diversion programs for dark tobaccos, the demand for these types having declined markedly in recent years as a result of growing consumer preference for the lighter tobaccos.

Farmers engaged in producing a commodity for which a large part of the market has disappeared are not likely to be restored to prosperity merely by the support of prices on a greatly reduced volume of production. If demand for the commodity cannot be resuscitated, the basic need is for a shift of some producers into the creation of goods or services for which demand does exist or can be developed. Unless skillfully handled, the granting of supplements to farm income in the form of price-supporting commodity loans may accentuate the decline of demand by reducing consumption and by stimulating the production of competitive goods, while at the same time tending to dissuade producers from making desirable changes. Skillfully administered, however, such loans permit spreading the costs of major transitions in agriculture without preventing the changes

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PUBLIC ASPECTS OF COMMODITY LOANS

Since it is evident that the risks of price-supporting loans must be borne by a public agency if the making of such loans is called for, it follows that the public aspects thereof must be kept in view. From the public's standpoint, adequate supplies of foodstuffs, feed, and fiber in the "Ever-Normal Granary" can be regarded as insurance against scarcity and high prices. At the same time, general economic stability is probably advanced when farm income is sustained and when rural buying power can continuously be relied upon to absorb a portion of the products of industry. To the extent that the commodity loan system contributes to agricultural stability without preventing certain necessary adjustments in agriculture, it may properly be regarded as contributing to the general welfare.

If the objective of the commodity loan system were primarily the protection of consumers, the desirability of certain changes in its operation might be considered. For example, a situation could arise where it might be desirable to retain at least a certain quantity of a given commodity in the Government-financed reserve at a time when producers all wished to redeem their loans in order to take advantage of a favorable price situation. On the other hand, a situation might arise where it would appear strongly desirable that more loan stocks be released than the owners were inclined to have released. One safeguard against such a situation is the new practice of the Commodity Credit Corporation of inserting demand provisions in the loan contracts. The holding of a certain volume of reserves by the Corporation in the form of "commodities owned" which can be released if prices rise very high, is another safeguard.

The commodity loan programs may help greatly to avoid the high prices possible if this country should be called upon to provide greatly increased supplies of agricultural products to foreign countries. Future supplies of agricultural products for both home and foreign consumption may be made more adequate and less costly, if reserves are accumulated during the present time of reduced foreign demand.

HOMESTEAD TAX EXEMPTION IN OKLAHOMA.-- In reporting on the first 4 years of homestead tax exemption in Oklahoma, the State Tax Commission says in part:

" ..... A constant increase in number of homes and amount of assessed value exempted will be noted. The number of homes exempted increased from 171,133 in 1937, to 181,474 in 1938, to 196,917 in 1939, and to 213,264 in 1940. The assessed value exempted increased from $115,177,924 in 1937, to $122,010,843 in 1938, to $130,984,107 in 1939, and to $141,031,644 in 1940. This represents an accelerating rate of increase in each successive year.

"Both rural and urban homes show increases over the preceding year, but the rate of increase in urban homesteads granted exemption is considerably greater than in the case of rural homesteads."

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FARM-MORTGAGE DEBT AT LOWEST LEVEL IN 22 YEARS

The amount of debt secured by liens on farm real estate in the United States on January 1, 1940 is estimated at $6,910,000,000, the smallest amount outstanding at any time since 1919 (table 1). This figure is $161,000,000, or 2.3 percent, below the January 1, 1939 estimate of $7,071,000,000 and is about 64 percent of the peak amount of $10,786,000,000 outstanding on January 1, 1923.

The most marked declines in farm-mortgage debt during 1939 occurred in the West North Central States, particularly North Dakota, South Dakota, and Nebraska, in each of which the percentage decrease was in excess of 5 percent, as compared with 2.3 percent for the United States (table 2). Increases in debt were most evident in the New England and East South Central regions. Mississippi showed the greatest increase, exceeding 7 percent.

Among the factors contributing to the further decline in debt, principal repayment continues to be of increasing importance. In the case of the Federal land banks and Land Bank Commissioner, which accounted for a large part of the reduction in total debt, repayments were particularly large as compared with earlier years. The better income position of farmers during 1939, as compared with 1938, accounts for much of the improvement in the repayment situation, and low interest rates have contributed further towards aiding the farmer in reducing his debts. Although foreclosures and other forced sales have continued as a debt-reducing factor, the volume of such transfers declined further during 1939. The Federal land banks and Land Bank Commissioner were the only lender group showing an increase in foreclosures, but the volume of new loans closed by these institutions was more than sufficient to offset the reduction resulting from this situation.

Factors which make for an increase in debt have shown little change as compared with previous years. Considerable farm-mortgage debt arises out of the transfer of farm real estate. The rise in income and a slight rise in land values during 1939, however, appear to have had no appreciable effect on land-transfer activity. It is believed that the volume of voluntary sales in 1939 approximated the volume of the previous year. Most of the lender groups owning farm real estate reduced their holdings. Estimates by the Farm Credit Administration of the amount of farm mortgages recorded show an increase for all non-Federal lenders, except individuals; the amount for this latter group declined for the second successive year following their post-depression peak in 1937. The Federal land banks closed approximately the same amount of new loans in 1939 as in 1938, but the Land Bank Commissioner closed a slightly smaller volume.

The largest part of the reduction during 1939 is accounted for by the decrease in the amount of mortgages held by the Federal land banks and Land Bank Commissioner. On January 1, 1940 these agencies held $2,584,000,000 or 5 percent less than the $2,723,000,000 held at the beginning of the previous year. Of the reduction, $77,000,000 occurred in loans of the Federal land banks and $62,000,000 in loans of the Land Bank Commissioner. Together these two lenders held 37.4 percent of the total farm-mortgage debt at the beginning of 1940 as compared with 38.5 percent on January 1, 1939. The amount of farm mortgages held by the Federal land banks and Land Bank Commissioner declined in all States except Connecticut and Arizona. In Connecticut both of these agencies increased their mortgage loans whereas in Arizona only the Land Bank Commissioner loans increased.

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Table 1.- Total farm-mortgage debt and amounts held by selected lender groups, United States[1], Jan. 1, 1910, 1920, 1925, 1930, 1935-40

Year	Total farm-mortgage debt	Federal land banks and Land Bank Commissioner	Joint stock land banks[2]	Life insurance companies	Banks[3]	State credit agencies[4]	Others[5]
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
1910	3,207,863			386,961	406,248		2,414,654
1915	4,990,785			669,984	746,111		3,574,690
1920	8,448,772	296,386	60,038	974,826	1,204,383	[6]	5,913,139
1925	9,912,650	923,077	446,429	1,942,624	1,200,456	[6]	5,400,064
1930	9,630,768	1,185,765	626,980	2,105,477	997,468	93,274	4,621,804
1935	7,785,971	2,501,824	255,931	1,258,900	498,842	62,286	3,208,188
1936	7,638,867	2,853,966	175,677	1,054,770	487,505	48,091	3,018,858
1937	7,389,797	2,888,912	133,499	936,454	487,534	32,657	2,910,741
1938	7,214,138	2,835,962	104,163	895,470	501,450	24,657	2,852,436
1939	7,070,896	2,723,022	87,362	887,336	519,276	17,281	2,836,619
1940	6,909,794	2,583,901	65,719	883,414	534,170	14,823	2,827,767

1 Excluding possessions.
2 Including banks in receivership.
3 1935-40 insured commercial banks, prior to 1935 open State and national banks.
4 Rural Credit Bank of South Dakota, Bank of North Dakota, and Department of Rural Credit of Minnesota
5 Including loans of individuals, Farm Security Administration, mortgage companies, and other miscellaneous lenders.
6 Unavailable.

Other institutional lenders which showed a reduction in their farm-mortgage holdings during 1939 are the life insurance companies, joint stock land banks, and the three principal State credit agencies. Life insurance companies reduced their farm-mortgage holdings approximately $4,000,000 or 0.4 percent, but this rate of decrease was considerably below that for other years of the past decade. The $883,000,000 of farm mortgages which they held as of January 1, 1940 constituted 12.8 percent of the total farm-mortgage debt, as compared with 12.6 percent at the beginning of 1939. Life insurance companies have tended to increase their farm-mortgage holdings in the Eastern and Southern regions and to decrease them in the Western States. In the North Central States, where the life insurance companies have the largest proportion of their loans, pronounced increases occurred in Indiana, Illinois, and Minnesota, and pronounced decreases in Missouri, North Dakota, and South Dakota.

The joint stock land banks reduced their holdings from $87,000,000 on January 1, 1939 to $66,000,000 at the end of that year, or approximately 25 percent. This represents the largest percentage decrease for any of the lender groups, but the rapidity of the decrease during recent years is accounted for by the fact that these institutions have been in the process of liquidation since 1933. The joint stock land banks reduced their holdings in every State in which they held loans, and by the end of 1939 had liquidated all of their holdings in 5 of the 39 States in which they operated. The State credit agencies of Minnesota, North Dakota, and South Dakota, which are also in the process of liquidation, each showed a further reduction in their outstanding loans, and together held only $15,000,000 on January 1, 1940 as compared with $17,000,000 on the same date in 1939.

Table 2.- Total farm-mortgage debt, by States, Jan. 1, 1939 and 1940

State and division	1939	1940	Percentage change	State and division	1939	1940	Percentage change
	1,000 dollars	1,000 dollars	Percent		1,000 dollars	1,000 dollars	Percent
Maine	30,907	30,427	-1.6	North Carolina	85,631	84,923	-0.8
New Hampshire	13,551	13,738	1.4	South Carolina	44,921	43,243	-3.7
Vermont	33,538	34,085	1.6	Georgia	80,115	79,286	-1.0
Massachusetts	53,846	54,497	1.2	Florida	40,749	40,666	- .2
Rhode Island	4,597	4,548	-1.1	*South Atlantic*	*397,024*	*392,066*	*-1.2*
Connecticut	50,135	51,030	1.8				
New England	*186,574*	*188,325*	*.9*	Kentucky	105,299	105,729	.4
				Tennessee	87,922	87,047	-1.0
New York	209,085	206,112	-1.4	Alabama	69,095	69,309	.3
New Jersey	50,018	50,215	.4	Mississippi	78,080	83,854	7.4
Pennsylvania	141,578	139,530	-1.4	*East South Central*	*340,396*	*345,989*	*1.6*
Middle Atlantic	*400,681*	*395,857*	*-1.2*				
				Arkansas	66,078	66,213	.2
Ohio	208,005	207,308	- .3	Louisiana	54,495	53,299	-2.2
Indiana	201,480	198,996	-1.2	Oklahoma	167,305	162,189	-3.1
Illinois	432,070	420,927	-2.6	Texas	543,928	530,172	-2.5
Michigan	177,394	173,959	-1.9	*West South Central*	*831,806*	*811,873*	*-2.4*
Wisconsin	390,097	382,687	-1.9				
East North Central	*1,409,046*	*1,383,877*	*-1.8*	Montana	99,308	96,504	-2.8
				Idaho	89,963	87,441	-2.8
Minnesota	351,030	343,512	-2.1	Wyoming	37,202	37,023	- .5
Iowa	684,751	657,868	-3.9	Colorado	97,117	94,965	-2.2
Missouri	249,673	238,914	-4.3	New Mexico	27,325	26,768	-2.0
North Dakota	164,862	153,459	-6.9	Arizona	31,576	31,506	- .2
South Dakota	165,750	151,910	-8.3	Utah	45,932	45,635	- .6
Nebraska	355,417	334,560	-5.9	Nevada	17,492	17,782	1.7
Kansas	319,404	309,602	-3.1	*Mountain*	*445,915*	*437,624*	*-1.9*
West North Central	*2,290,887*	*2,189,825*	*-4.4*				
				Washington	120,711	118,522	-1.8
Delaware	8,150	7,979	-2.1	Oregon	104,756	103,957	- .8
Maryland[1]	43,135	43,339	.5	California	543,100	541,929	- .2
Virginia	71,613	70,566	-1.5	*Pacific*	*768,567*	*764,408*	*- .5*
West Virginia	22,710	22,064	-2.8				
				United States	*7,070,896*	*6,909,794*	*-2.3*

[1] Including District of Columbia.

Insured commercial banks were the only lenders among the larger institutional groups that showed an increase during 1939, their farm-mortgage holdings rising from $519,000,000 on January 1, 1939 to $534,000,000 at the beginning of 1940. This increase of 2.9 percent approximates that of the two previous years. On January 1, 1940 these banks held 7.7 percent of the total debt as compared with 7.3 percent one year earlier. Farm real estate loans of insured commercial banks have expanded in all regions except New England and the Western areas. California, which alone accounts for nearly 20 percent of all bank loans on farm real estate, showed a decline of nearly 2 percent during 1939.

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The mortgages held by "others " (largely individuals) continued to decline. Farm-mortgage recordings indicate that individuals as a group have shown no tendency to resume their former importance as a source of farm-mortgage credit. Farm real estate loans of the Farm Security Administration, however, have expanded considerably. Loans for tenant purchase and development and construction of farmstead improvements, which on January 1, 1939 totaled $15,000,000, had increased to $39,000,000 by the beginning of 1940.

LITTLE CHANGE IN FARM-MORTGAGE HOLDINGS OF LIFE INSURANCE COMPANIES

Farm-mortgage holdings of life insurance companies showed little change during 1939, totaling $883,414,000 on January 1,1940 as compared with $887,336,000 a year earlier (table 1). This decrease of less than one-half of one percent indicates a further slackening in the rate of the decline which has been in progress since life insurance company loans on farm real estate were at a peak in 1927-28. They now hold only about 40 percent of the amount held in those years. Increases in the mortgage recordings of insurance companies and a falling off in the number of foreclosures, as indicated by estimates of the Farm Credit Administration, suggest that the decline may soon come to an end.

Table 1.- Total farm-mortgage debt and farm-mortgage loans held by life insurance companies, Jan. 1, 1910, 1915, 1920, 1925, and 1930-40

Year	Total farm-mortgage debt	Farm-mortgage loans held by life insurance companies	Percentage of total held by life insurance companies	Net annual change in farm-mortgage loans held by life insurance companies
	1,000 dollars	*1,000 dollars*	*Percent*	*1,000 dollars*
1910	3,207,863	386,961	12.1	
1915	4,990,785	669,984	13.4	
1920	8,448,772	974,826	11.5	
1925	9,912,650	1,942,624	19.6	
1930	9,630,768	2,105,477	21.9	
1931	9,458,281	2,059,221	21.8	- 46,256
1932	9,214,004	2,007,361	21.8	- 51,860
1933	8,638,383	1,869,160	21.6	-138,201
1934	7,887,119	1,661,046	21.1	-208,114
1935	7,785,971	1,258,900	16.2	-402,146
1936	7,638,867	1,054,770	13.8	-204,130
1937	7,389,797	936,454	12.7	-118,316
1938	7,214,138	895,470	12.4	- 40,984
1939	7,070,896	887,336	12.6	- 8,134
1940	6,909,794	883,414	12.8	- 3,922

With the slackening in the rate of decline in their farm-mortgage holdings, insurance companies on January 1, 1940 held a slightly higher percentage of the total outstanding farm-mortgage debt than a year previous (table 1). This is the second consecutive year in which the rate of decline in the farm-mortgage holdings of insurance companies has been less than that of total farm-mortgage debt. These institutions hold a larger proportion of the total debt in Iowa, Indiana, Illinois, and Missouri than elsewhere. At the beginning of 1940 their holdings constituted 20 percent or more of the total debt in each of those States, as compared with 12.8 percent for the country as a whole.

Table 2.- Farm-mortgage loans held by life insurance companies, by States, Jan. 1, 1939 and 1940

State and division	1939	1940	Percentage change	State and division	1939	1940	Percentage change
	1,000 dollars	1,000 dollars	Percent		1,000 dollars	1,000 dollars	Percent
Maine	1	1	0.0	North Carolina	8,616	8,982	4.2
New Hampshire .	0	0	.0	South Carolina	2,647	2,324	-12.2
Vermont	1	4	300.0	Georgia	11,341	10,981	- 3.2
Massachusetts .	5	8	60.0	Florida	578	800	38.4
Rhode Island ..	0	0	.0	*South Atlantic* ...	*29,270*	*29,572*	*1.0*
Connecticut ...	4	3	-25.0				
New England	*11*	*16*	*45.5*	Kentucky	11,779	13,494	14.6
				Tennessee	12,717	12,907	1.5
New York	231	234	1.3	Alabama	2,806	2,473	-11.9
New Jersey	186	169	- 9.1	Mississippi ...	17,152	23,480	36.9
Pennsylvania ..	800	811	1.4	*East South Central*	*44,454*	*52,354*	*17.8*
Middle Atlantic ..	*1,217*	*1,214*	- .2				
				Arkansas	11,098	12,246	10.3
Ohio	30,217	30,429	.7	Louisiana	7,136	6,785	- 4.9
Indiana	52,643	55,566	5.6	Oklahoma	27,808	25,923	- 6.8
Illinois	100,261	103,782	3.5	Texas	79,131	85,460	8.0
Michigan	3,011	3,056	1.5	*West South Central*	*125,173*	*130,414*	*4.2*
Wisconsin	8,791	8,879	1.0				
East North Central	*194,923*	*201,712*	*3.5*	Montana	2,152	2,220	3.2
				Idaho	6,964	6,791	- 2.5
Minnesota	47,910	50,489	5.4	Wyoming	172	140	-18.6
Iowa	207,952	197,516	- 5.0	Colorado	3,509	3,101	-11.6
Missouri	55,528	50,097	- 9.8	New Mexico	975	1,354	38.9
North Dakota ..	5,176	4,050	-21.8	Arizona	1,362	1,238	- 9.1
South Dakota ..	19,479	17,681	- 9.2	Utah	441	371	-15.9
Nebraska	47,814	44,822	- 6.3	Nevada	341	340	- .3
Kansas	56,165	53,319	- 5.1	*Mountain*	*15,916*	*15,555*	*2.3*
West North Central	*440,024*	*417,974*	*- 5.0*				
				Washington	14,140	14,190	.4
Delaware	13	27	107.7	Oregon	7,563	7,189	- 4.9
Maryland	1,880	2,281	21.3	California	14,645	13,224	- 9.7
Virginia	3,626	3,575	- 1.4	*Pacific*	*36,348*	*34,603*	*- 4.8*
West Virginia .	569	602	5.8				
				United States	*887,336*	*883,414*	*- .4*

Approximately 70 percent of the farm-mortage loans held by life insurance companies are located in the North Central States. During 1939 their holdings increased in the eastern part of this area, and decreased in the western part except in Minnesota (table 2). In interpreting changes in the amount of debt held by any lender group, it should be kept in mind that they are the net result of several counteracting factors. For example, a fall in the holdings in any given area does not necessarily indicate a decline in the volume of new loans, since foreclosures and repayments may be of sufficient volume to offset the otherwise rising debt.

At the beginning of 1940 farm mortgages represented 2.9 percent of total life insurance company assets as compared with 3.1 percent one year earlier.

FEDERAL LAND BANK AND LAND BANK COMMISSIONER LOAN DELINQUENCY

On September 30, 1940, 23 percent of the number of Federal land bank loans and 24.6 percent of the Land Bank Commissioner loans were delinquent. As compared with the beginning of 1940, there was an increase of 0.5 percent in delinquency for the land banks and a decrease of 5.2 percent for the Land Bank Commissioner. Although seasonal variations in delinquency restrict somewhat the usefulness of comparisons for periods of less than a year, in general the trends for each institution for the 9-month period were similar to those for the year ended September 30, 1940.

In many respects regional and State changes in the delinquency situation are even more significant than changes for the country as a whole. For a review of changes by States, however, the latest data relate to the beginning of 1940. The analysis presented below, therefore, is based largely on the change from the beginning of 1939 to the beginning of 1940.

On January 1, 1940 the number of delinquent loans for the Federal land banks and the Land Bank Commissioner showed little change as compared with the same date a year earlier. Although for the land banks the level for this period was somewhat higher than for 1938, it was lower than for the previous 5 years, while the Commissioner loan delinquency showed a leveling off from a more or less regular yearly increase. On January 1, 1940, 22.5 percent of the number of Federal land bank loans and 29.8 percent of the number of Land Bank Commissioner loans outstanding were delinquent. For the land bank this represented a decrease of 0.4 percent over the same date a year earlier, while the percentage for the Commissioner showed no change. Even though these figures indicate no substantial changes for the country as a whole it is significant that considerable improvement occurred in certain of the high-delinquency areas.

Delinquent loans are taken here to include all loans with matured installments unpaid and all loans which had been extended. Extended loans are classified as delinquent whether the installments due on the extensions have been paid or not. The Commissioner has been authorized since 1937 to grant extensions on loans that are delinquent or threatened with delinquency, whereas the land banks have had this privilege since 1932. It is to make

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the data subsequent to 1937 for the Commissioner and subsequent to 1932 for the land banks as nearly comparable as possible with the data for earlier years, that extended loans have been considered delinquent.

As the delinquency data are for specific dates, there are limitations to their use for measuring either trends or relative amounts by areas. Maturities in some areas may be distributed in such a manner, in relation to the time when crops are normally marketed, that temporary delinquencies are more prevalent there than in other areas. Also, unseasonable factors may cause variations from year to year in the delinquency status of loans in any one area, because of the relationship of the time of marketings to maturities. For instance, it is noted that in Louisiana 15 percent of the cotton crop was marketed after January 1, 1940, whereas 23 percent was marketed after January 1, 1939, and 18 percent after January 1, 1938. Further, in some of the areas many delinquent loans have been reamortized rather than extended and such loans are not included unless the borrower is in default on a matured installment of the reamortized loan.

In 5 of the 12 Farm Credit districts - St. Paul, Omaha, Wichita, St. Louis, and Houston - delinquency of land bank loans was lower on January 1, 1940 than a year earlier (table 1). This is encouraging, particularly in view of the fact that delinquency in the first 3 districts has chronically been high. On the other hand, the Columbia and New Orleans districts, also high-delinquency areas, recorded increases during 1939. States with the most serious delinquency on January 1, 1940 were in the Northern Great Plains area and to a somewhat lesser degree in the Cotton Belt. North Dakota has had the most serious problems, 72.8 percent of the number of land bank loans outstanding being delinquent on January 1, 1940. Corresponding figures for earlier years were: 75.6 percent for 1939, 72.9 percent for 1938, and 54.9 percent for 1935. There was high delinquency also in Montana, South Dakota, Nebraska, and Kansas. All of these States showed improvement over January 1, 1939, except Kansas, in which delinquency increased from 34.1 percent to 37.4 percent. In the 4 Cotton Belt States with highest delinquency, Georgia, Alabama, and Mississippi showed an increase, while South Carolina showed a decrease.

Table 1.- Federal land bank and Land Bank Commissioner loans: Number delinquent as a percentage of number outstanding January 1, for specified years[1]

Farm Credit district	Federal land banks						Land Bank Commissioner			
	1930	1933	1935	1938	1939	1940	1935	1938	1939	1940
	Pct.	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*	*Pct.*
Springfield	4.1	31.0	18.5	10.3	17.9	18.9	6.4	14.3	25.5	27.8
Baltimore ..	5.3	35.8	37.2	7.8	10.7	11.0	3.8	9.0	14.1	15.3
Columbia ...	11.1	60.1	42.7	24.5	27.5	31.5	1.1	12.2	24.2	30.4
Louisville .	1.5	32.2	22.7	6.7	7.9	9.3	2.9	7.7	10.9	13.1
New Orleans	12.1	67.5	50.8	26.3	28.2	31.2	.0	27.4	38.1	43.9
St. Louis ..	3.0	49.2	36.8	18.5	14.2	9.1	10.4	13.0	16.9	12.4
St. Paul ...	7.8	60.5	34.8	27.9	31.5	31.1	22.1	37.2	42.8	42.5
Omaha	2.4	53.6	26.4	26.0	30.9	28.8	16.5	35.8	42.4	36.4
Wichita	5.3	44.9	28.0	28.5	30.1	28.7	9.9	31.5	40.0	39.8
Houston	.7	40.6	33.1	20.2	21.4	18.7	2.9	14.8	18.3	17.5
Berkeley ...	2.4	55.7	29.4	13.7	19.6	23.2	6.8	13.1	25.0	28.6
Spokane	7.2	52.7	40.0	19.8	20.4	20.5	10.7	27.8	33.6	27.2
U. S. ...	*5.5*	*49.3*	*33.4*	*20.6*	*22.9*	*22.5*	*9.6*	*23.1*	*29.8*	*29.8*

[1] Includes loans extended whether there are delinquencies in the extensions or not. Excluding Puerto Rico.

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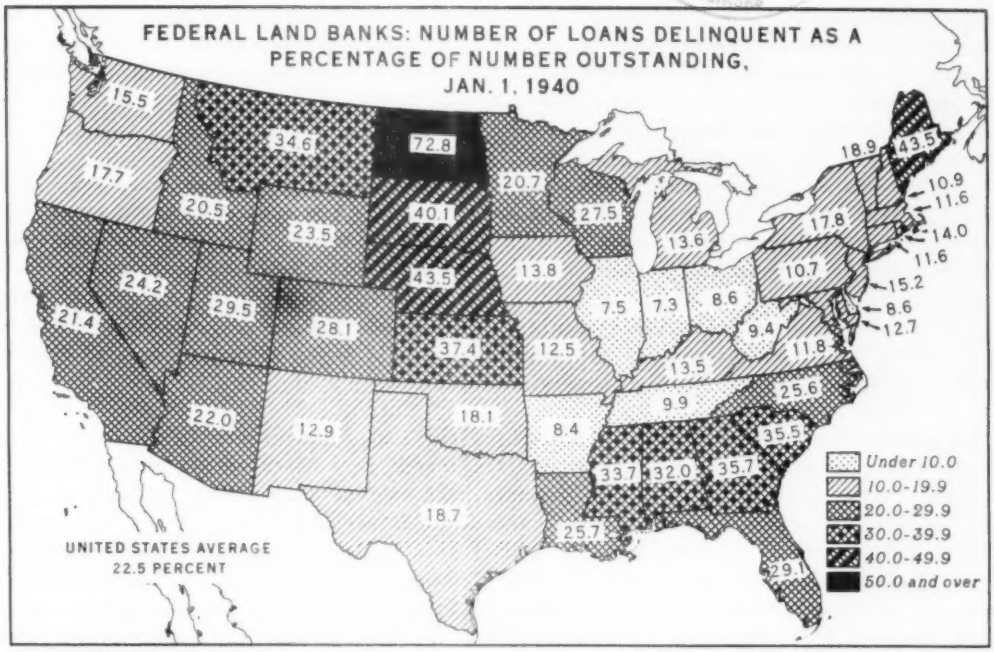

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FIGURE 1.

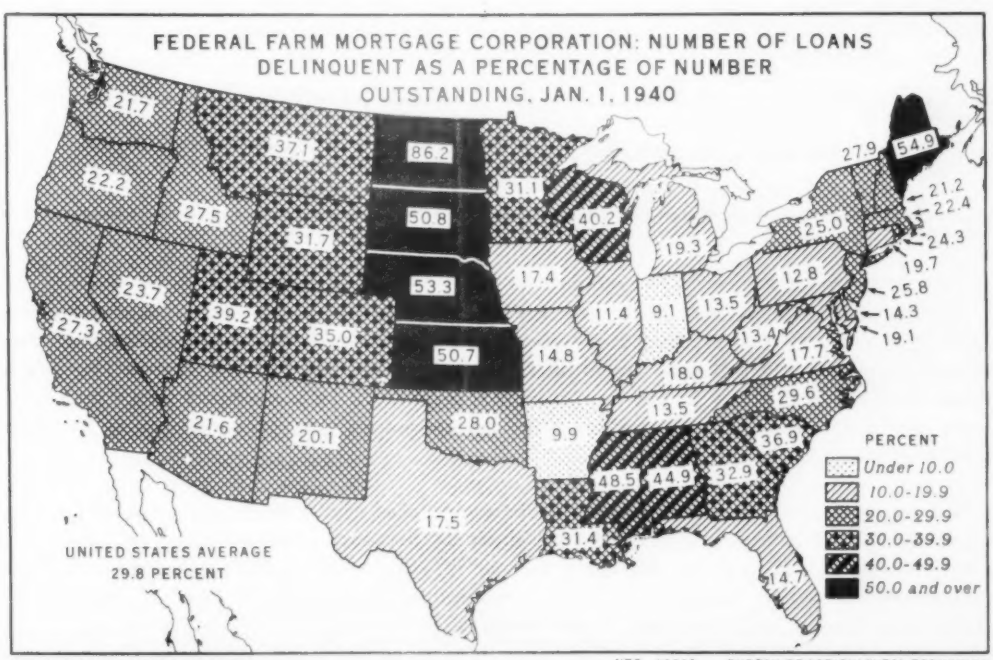

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FIGURE 2.

Most of the States with low delinquency on January 1, 1940 are in the Corn Belt and general-farming areas of the country and are within the Baltimore, Louisville, and St. Louis Farm Credit districts. Between January 1, 1939 and January 1, 1940 there was a tendency for the number of delinquent loans to increase in these States although this was more evident in the eastern part of the area. Several States in the Corn Belt, notably Iowa, Missouri, and Illinois, showed decreased delinquency.

The change in the percentage of Commissioner loans delinquent from January 1, 1939 to January 1, 1940, by Farm Credit districts closely parallels the regional trends shown by delinquencies on land bank loans, except in the Spokane district, where Commissioner loan delinquency decreased from 33.6 percent to 27.2 percent, while land bank delinquency remained about the same. In most States delinquency of Commissioner loans was greater than that of land bank loans. This was particularly true (compare figures 1 and 2) in Mississippi, Kansas, North Dakota, and Wisconsin. It was substantially lower than that on land bank loans, however, in Nevada, Arizona, Texas, Georgia, and Florida.

A general improvement in the delinquency situation, particularly in the high-delinquency area of the Northern Great Plains, reflected to a considerable extent increased farm income during 1939 over 1938. For instance, the average income in the States of North Dakota, South Dakota, Montana, and Nebraska increased 21 percent from 1938 to 1939, as compared with a 5.8 percent increase for the country as a whole. Also, the increased delinquency in Georgia, Alabama, and Mississippi was accompanied by a decreased income averaging 2.8 percent, whereas the decreased delinquency in South Carolina was accompanied by an increased income of 13.8 percent. Moreover, among the States where the number of delinquent loans was relatively small, those with increased delinquency corresponded closely to those States where decreased income occurred.

SMALL INCREASE IN AGRICULTURAL LOANS HELD BY COMMERCIAL BANKS, 1939-40

During the first half of 1940, the agricultural loans of commercial banks increased from $1,629,000,000 to $1,727,000,000 or about $98,000,000. Personal and collateral loans to farmers increased $89,000,000; loans on farm real estate, $9,000,000 (table 1). These increases followed a decline in the agricultural loans held by commercial banks during the last half of 1939, and were much smaller than the increases that occurred during the first 6 months of 1937, 1938, and 1939.

The agricultural loans of commercial banks reached their depression low about the beginning of 1937, but have since increased about 54 percent. Personal and collateral loans have increased 86 percent and loans secured by farm real estate, 12 percent. The depression low for nonagricultural loans was reached during the first half of 1938, and such loans have since increased only 7 percent (table 1).

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Table 1.- Changes in loans of insured commercial banks, January 1, 1937 to July 1, 1940

Date	Nonagricultural loans	Agricultural loans			Total loans
		Personal and collateral	Farm real estate	Total	
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*
Total outstanding Jan. 1, 1937	14,812	637	488	1,125	15,937
Change during half-year following--					
Jan. 1, 1937	968	89	17	106	1,074
July 1, 1937	-330	62	-3	59	-271
Jan. 1, 1938	-1,166	137	11	148	-1,018
July 1, 1938	153	139	7	146	299
Jan. 1, 1939	-124	129	11	140	16
July 1, 1939	921	-99	4	-95	826
Jan. 1, 1940	50	89	9	98	148
Total outstanding July 1, 1940	15,284	1,183	544	1,727	17,011

The increase since the beginning of 1937 in the personal and collateral loans to farmers held by commercial banks has been due in considerable part to the loan programs of the Commodity Credit Corporation. On July 1, 1940, banks and other lenders (mainly banks) held $227,856,000 of loans on commodities under purchase agreements with the Commodity Credit Corporation, as compared with only $54,000 on January 1, 1937 (table 2). Although the banks' holdings of commodity loans declined greatly during the last year, such loans still constitute an important part of the personal and collateral loans to farmers held by commercial banks, particularly in the Corn Belt.

Table 2.- Commodity loans held by banks and other lenders under purchase agreements with the Commodity Credit Corporation, 1935-40

Date	Cotton	Corn	Wheat	Wool and mohair	Total
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Jan. 1, 1935	207,081	5,928	-	-	213,009
July 1, 1935	133,971	444	-	-	134,315
Jan. 1, 1936	2,562	5,912	-	-	8,474
July 1, 1936	1,788	115	-	-	1,903
Jan. 1, 1937	0	54	-	-	54
July 1, 1937	0	43	-	-	43
Jan. 1, 1938	135,320	4,070	-	-	139,390
July 1, 1938	129,276	14,060	-	763	144,099
Jan. 1, 1939	258,316	30,291	12,582	9,411	310,600
July 1, 1939	266,093	119,396	2,655	415	388,559
Jan. 1, 1940	132,687	70	104,096	213	237,065
July 1, 1940	69,419	158,381	56	0	227,856

Due largely to seasonal factors the personal and collateral loans to farmers held by commercial banks increased during the first half of 1940 in all sections except the East South Central, Mountain, and Pacific (table 3). Loans secured by farm real estate increased in all sections except the Pacific (table 4).

Table 3.- Personal and collateral loans to farmers held by insured commercial banks by geographic divisions, on specified dates, 1935-40

Geographic division	Jan. 1, 1935	Jan. 1, 1937	Jan. 1, 1938	Jan. 1, 1939	Jan. 1, 1940	July 1, 1940
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
New England	11,291	6,081	7,992	9,252	8,990	9,553
Middle Atlantic ...	64,324	38,648	43,174	54,212	53,261	57,066
East North Central	121,280	89,120	126,500	156,309	168,993	205,834
West North Central	188,567	190,512	242,593	311,928	355,426	395,767
South Atlantic	98,698	24,991	40,191	56,991	42,646	61,346
East South Central	87,891	26,865	54,141	102,690	90,324	87,971
West South Central	111,470	82,182	116,234	181,965	167,546	174,615
Mountain	58,497	69,298	76,602	84,593	95,432	87,387
Pacific	65,595	65,917	80,924	106,727	111,774	104,307
United States	*807,613*	*593,614*	*788,351*	*1,064,667*	*1,094,392*	*1,183,846*

Table 4.- Loans secured by farm real estate held by insured commercial banks by geographic divisions, on specified dates, 1935-40

Geographic division	Jan. 1, 1935	Jan. 1, 1937	Jan. 1, 1938	July 1, 1938	Jan. 1, 1939	Jan. 1, 1940	July 1, 1940
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
New England	17,606	15,105	13,760	13,394	13,628	13,019	13,398
Middle Atlantic	42,214	40,397	41,894	41,802	44,033	45,637	45,809
East North Central .	108,336	104,810	111,062	115,500	117,052	123,472	126,838
West North Central .	76,258	87,218	96,485	97,555	99,727	103,906	107,362
South Atlantic	43,520	47,397	48,415	51,266	52,913	55,211	56,501
East South Central .	42,077	41,477	42,070	44,590	44,278	47,340	49,905
West South Central .	34,194	27,813	25,705	25,688	25,291	25,118	25,631
Mountain	13,117	10,332	10,279	11,334	10,380	10,010	10,716
Pacific	121,520	112,985	111,780	111,645	111,974	110,457	107,181
United States .	*498,842*	*487,534*	*501,450*	*512,774*	*519,276*	*534,170*	*543,341*

FARM REAL ESTATE TAXES IN 1939[1]

Farm real estate taxes in 1939 increased about 2 percent over taxes levied in 1938. This is the fourth time in the past 5 years that for the country as a whole small increases have appeared. Taxes per acre are now about 7 percent above the low point of 1934, but are well below the level of the 1920's. The index for the United States on a 1909-13 base stood at 190 in 1939 compared with 186 in 1938, 178 in 1934, 281 in 1929, and 244 in 1920. Taxes per $100 of farm real estate value stood at $1.16 both in 1938 and 1939 compared with $1.13 in 1936, the lowest point since 1926.

For most of the individual States the changes in taxes per acre between 1938 and 1939 again were very small. The variation in the percentage changes between the 2 years is one of the least for any recent year. Few of the fluctuations in the State series can be attributed to important changes in property-tax laws, as has been the case in some recent years.

Little change in the average levies on farm real estate is to be expected between 1939 and 1940. This is suggested by information from tax officials and tax students received in reply to this Bureau's request for their personal judgments on probable tax trends.

[1] Quoted from a report dated October 21, 1940. Original report carried table showing farm real estate tax levies per acre and per $100 of real estate value, and indexes of tax levies per acre, by States and divisions for 1910, 1920, 1930, and 1934-39. The newly released 1939 data are shown in tables 15, 16, and 17 in the Appendix.

FARM REAL ESTATE HOLDINGS OF MOST LENDING AGENCIES DECLINE

The book value of farm real estate held by a selected group of lending agencies declined further during 1939, although at the end of the year it was only about 4 percent below the peak on January 1, 1937 (table 1). Decreases were evident in the holdings of all agencies for which data are available except the Federal land banks and Federal Farm Mortgage Corporation.

The amount of acquired farm real estate held by life insurance companies continues large, with the current estimate of January 1, 1940 showing little reduction from the previous year. The joint stock land banks, which are in the process of liquidation, have made substantial progress in disposing of their holdings. On January 1, 1940 they held little more than one-half the amount held at the beginning of 1934, when their holdings were at a maximum. Insured commercial banks also have made a sizeable reduction in their

real estate accounts, the reduction comparing favorably with that of the joint stock land banks. The year ending December 31, 1939 was the first in which the real estate holdings of the State credit agencies of Minnesota, North Dakota, and South Dakota, as a group, showed any appreciable reduction, although those of the Bank of North Dakota continued to increase. These institutions are also in the process of liquidation, but until 1938 they continued to acquire more real estate than they were able to dispose of satisfactorily.

The farm real estate holdings of the Federal land banks and Federal Farm Mortgage Corporation, which were the only lenders to show an increase during 1939, reached a new peak at the end of that year. Except for a slight decline during 1937, these institutions have increased their holdings each year during the past decade. The increases during recent years, which are in contrast to reductions in the real estate holdings of other lender groups, are attributable primarily to the fact that these Federal institutions made the largest part of their present loans during the period 1933-35. Other groups had reached a peak in outstanding loans much earlier and have had more time to season the bulk of their loans and to determine the ultimate means of payment.

Table 1.- Acquired farm real estate held by selected lending agencies, Jan. 1, 1930-40

Year	Federal land banks and Federal Farm Mortgage Corporation[1]	Life insurance companies[2]	Joint stock land banks[3]	Insured commercial banks[4]	Three State credit agencies[5]
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
1930	29,517	120,020	19,685	[6]	26,860
1931	36,865	151,229	22,202	[6]	33,511
1932	53,588	219,947	37,957	[6]	39,008
1933	83,158	316,931	71,741	[6]	47,454
1934	96,632	465,072	85,740	[6]	56,094
1935	96,666	600,873	81,700	[6]	60,270
1936	119,864	646,280	78,202	[7] 74,166	61,531
1937	134,754	713,166	72,781	69,525	68,444
1938	132,038	705,207	62,030	56,311	72,040
1939	139,229	702,861	53,885	49,143	[8] 71,846
1940	155,237	700,530	46,827	42,045	68,324

[1] Investment, including sheriffs' certificates and judgments, excluding prior liens. Excluding Puerto Rico.

[2] Investment - partially estimated.

[3] Carrying value of real estate, including sheriffs' certificates and judgments. Real estate held by banks in receivership included at book value.

[4] Book value.

[5] Investment. Department of Rural Credit of Minnesota, Bank of North Dakota, and Rural Credit Board of South Dakota.

[6] Data unavailable.

[7] June 30.

[8] Revised.

FEDERAL WHEAT CROP INSURANCE

Indemnities on the 1940 crop have nearly all been paid and insurance has already been written on the winter wheat crop for 1941. Table 1 shows a summary by States of the insurance program on the 1940 crop and the status of the insurance on the 1941 crop. The summary for the 1940 crop is fairly close to the final figures, but the bulk of the spring wheat insurance is not in the summary for 1941.

Losses paid up to October 31, 1940 on the 1940 wheat crop amounted to about 20 million bushels. The remaining loss to be paid will be principally on spring wheat. Most of the losses in 1940 occurred in the hard winter wheat area where crop conditions were poor. The losses in the soft winter wheat area were small, and in the spring wheat area should not be very large.

Since the hard winter wheat area is one of the largest wheat-producing areas of the country, the heavy losses in that area seriously affected the total for the country. A large amount of insurance was written in that area, but the maps in figures 1 and 2 suggest that the amount written there was not out of proportion to the wheat acreage allotments. These heavy losses resulted from severe drought in the fall of 1939. By December 1 the condition of the winter wheat was the lowest ever reported. Abandonment was very heavy. In Kansas about 40 percent of the acreage was abandoned, and in many of the heavy wheat-producing counties of that State considerably more than half of the crop was abandoned. On the other hand, some of the wheat that lived through the winter and some that was planted in the winter made high yields. Had the crop not recovered with much improved weather in the winter and the following spring, losses would have been substantially higher.

The number of insurance contracts already written on the 1941 winter wheat crop is nearly as large as the total written on all wheat in the 1940 program. This increase occurred in spite of the fact that premium rates were generally higher than those on the 1940 crop and that moisture conditions at the time of seeding were better than in recent years.

The number of contracts and the premiums collected have increased each year in the majority of States. Since most of the insurance on spring wheat has not yet been written, it is impossible to make comparisons in all States, but in the States where most of the wheat normally planted is winter wheat, comparisons can now be made with respect to the volume of business in effect for 1939, 1940, and 1941. These comparisons are shown for 10 representative States in table 2.

Table 1.- Wheat crop insurance[1]

Wheat area and State[2]	Crop for harvest in 1940						Crop for harvest in 1941	
	Number of contracts	Amount of premiums[3]	Estimated wheat acreage insured	Estimated total insured production	Indemnities paid[3]		Number of contracts	Amount of premiums[3]
	Number	*Bushels*	*Acres*	*Bushels*	*Number*	*Bushels*	*Number*	*Bushels*
Soft Red Winter:								
New York	877	5,856	9,205	132,618	36	1,958	1,040	8,680
Pennsylvania	5,811	36,117	68,328	979,073	605	27,754	7,516	53,307
New Jersey	112	597	1,206	18,118	4	264	165	1,285
Delaware	455	4,227	8,941	103,025	80	6,020	631	6,030
Maryland	1,267	15,043	33,717	410,744	150	9,268	1,746	21,247
Virginia	1,171	9,551	20,036	244,161	102	4,304	2 551	24,732
West Virginia	-	-	-	-	-	-	91	1,118
North Carolina	202	924	1,948	19,463	23	362	458	3,005
Kentucky	979	17,069	1,314	181,786	113	7,190	594	9,719
Tennessee	244	2,674	4,773	43,711	33	1,340	210	2,044
Michigan	15,945	86,912	135,438	1,902,191	1,436	54,776	15,341	112,640
Ohio	28,767	304,640	314,043	4,230,414	2,300	73,582	34,002	336,046
Indiana	28,374	280,025	332,768	4,046,225	2,994	119,115	35,498	371,782
Illinois	14,899	215,286	291,024	3,224,650	786	35,665	38,078	497,056
Missouri	21,687	244,668	366,802	3,500,598	2,927	137,862	25,188	339,170
Arkansas	-	-	-	-	-	-	38	415
Area total	*120,790*	*1,223,589*	*1,589,543*	*19,036,777*	*11,589*	*479,460*	*183,147*	*1,788,276*
Hard Red Winter:								
Iowa	7,234	97,908	100,327	1,227,484	686	44,063	7,506	111,955
Nebraska	57,244	1,975,074	1,396,688	13,168,262	29,521	4,790,549	63,122	2,645,057
Kansas	60,506	3,695,019	3,073,492	23,881,700	24,152	8,050,326	60,887	3,509,132
Oklahoma	23,387	878,917	1,054,510	8,559,127	7,511	1,246,120	24,984	812,584
Texas	11,030	1,069,552	835,550	5,191,605	5,272	1,609,758	10,187	1,030,725
Wyoming	1,285	121,937	78,202	546,046	619	183,061	1,228	133,311
Colorado	3,709	247,865	155,446	1,214,034	1,424	355,215	4,870	386,894
New Mexico	62	11,860	7,500	37,258	42	20,914	242	34,812
Utah	682	25,929	32,455	423,395	59	8,259	3,305	65,924
Area total	*165,139*	*8,124,061*	*6,734,170*	*54,248,911*	*69,286*	*16,308,265*	*176,331*	*8,730,394*
Hard Red Spring and Durum:								
Wisconsin	560	2,980	3,050	37,294	83	2,701	692	4,591
Minnesota	21,281	322,312	350,021	3,005,022	1,768	115,417	6,881	90,681
North Dakota	31,675	1,881,179	1,488,742	8,348,513	4,793	869,071	733	68,911
South Dakota	21,050	1,058,996	690,248	3,559,833	7,300	1,082,370	10,261	728,702
Montana	4,176	515,293	126,333	846,797	632	173,265	2,481	369,045
Area total	*78,742*	*3,780,760*	*2,658,394*	*15,797,459*	*14,576*	*2,242,824*	*21,048*	*1,261,930*
White:								
Idaho	6,873	134,241	173,493	2,843,843	469	56,331	5,238	183,021
Nevada	107	1,929	1,854	36,602	53	5,442	34	592
Arizona	-	-	-	-	-	-	23	529
Washington	3,624	230,635	374,520	5,214,162	591	158,782	3,799	231,265
Oregon	2,012	228,271	293,774	3,653,148	416	134,580	4,940	225,126
California	2,155	154,092	164,818	2,261,255	1,036	592,470	1,024	64,425
Area total	*14,771*	*748,168*	*1,008,459*	*14,009,010*	*2,565*	*947,605*	*15,058*	*704,958*
Total all States	*379,442*	*13,877,578*	*11,990,566*	*103,092,157*	*98,016*	*19,978,154*	*375,584*	*12,485,558*

[1]Interim report as of Oct. 31, 1940, subject to revision. There are still some indemnities to be paid, particularly in the spring wheat States, and the number of 1940 contracts will be reduced for farms with no acreage seeded. Data for 1941 will be greatly revised since these figures include very little spring wheat.

[2]Based upon principal class of wheat grown.

[3]Premiums and indemnities are determined in wheat although transactions may be made in cash equivalent

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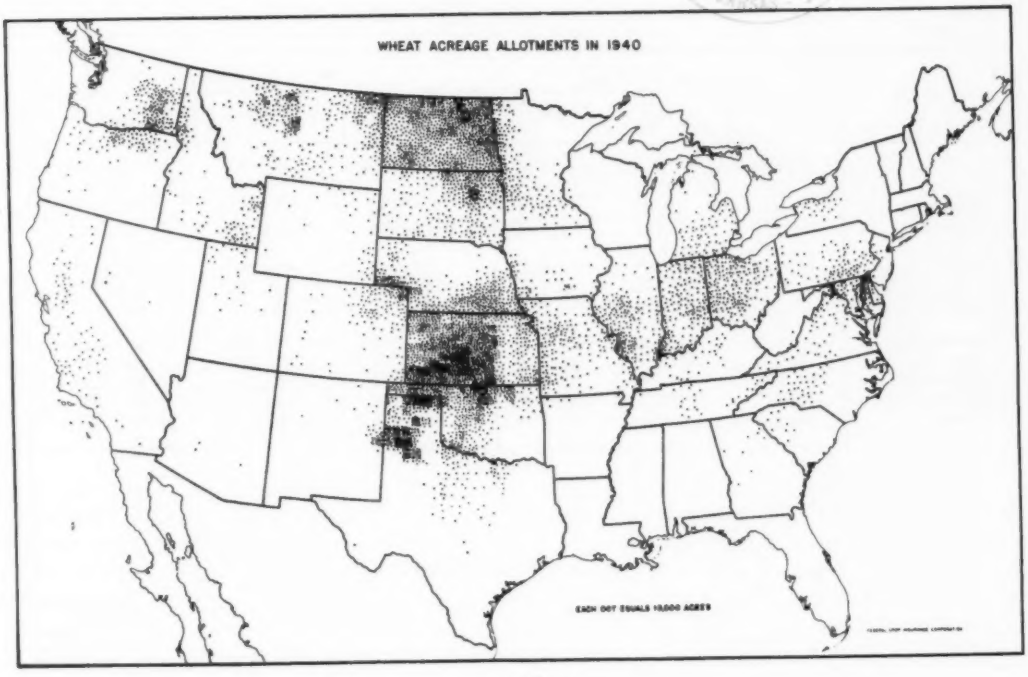

FIGURE 1.

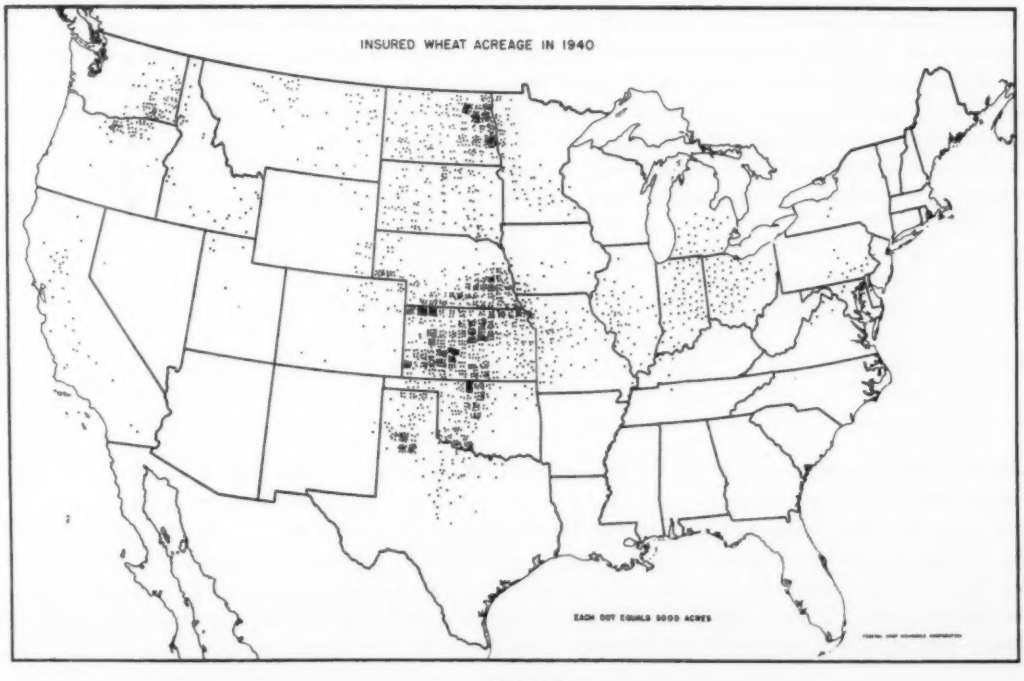

FIGURE 2.

Table 2.- Comparisons of number of contracts and premiums collected for the crop years 1939, 1940, and 1941 in 10 representative winter wheat States

State	Contracts issued			Total premiums		
	1939	1940	1941	1939	1940	1941
	Number	*Number*	*Number*	*Bushels*	*Bushels*	*Bushels*
Maryland	985	1,267	1,746	10,892	15,043	21,247
Pennsylvania	2,299	5,811	7,516	15,809	36,117	53,307
Ohio	10,253	28,767	34,002	131,243	304,640	336,046
Indiana	11,157	28,374	35,498	141,556	280,025	371,782
Illinois	12,190	14,899	38,078	185,062	215,286	497,056
Missouri	15,735	21,687	25,188	197,008	244,668	339,170
Nebraska	13,198	57,244	63,122	495,541	1,975,074	2,645,057
Kansas	14,884	60,506	60,887	776,416	3,695,019	3,509,132
Oklahoma	8,635	23,387	24,984	270,325	878,917	812,584
Texas	3,677	11,030	10,187	396,006	1,069,552	1,030,725

FEDERAL LEGISLATION ON FEDERAL LAND BANK AND LAND BANK COMMISSIONER INTEREST RATES.-- By an act of Congress approved June 29, 1940 the temporarily reduced interest rates payable on Federal land bank loans were continued to July 1, 1942. Consequently the rate of interest on regular loans made by the Federal land banks through national farm loan associations will not exceed 3½ percent during the period. This legislation also provided for a reduced rate of interest payable on Land Bank Commissioner loans to 3½ percent for all interest payable on installment dates occurring on or after July 1, 1940 and prior to July 1, 1942. Previously the temporarily reduced rate payable on Commissioner loans had been 4 percent.

AMALGAMATION OF GOVERNMENT AGENCIES FOR AGRICULTURAL CREDIT IN AUSTRALIA.-- The Agricultural Bank of Queensland, established in 1923 to make advances to farmers (settlers) on the securities of their properties, and the Rural Assistance Board of this State, established in 1935 to assist with Government loans, and in other ways, farmers in debt difficulties, have been amalgamated recently into one agency under the direction of the newly created "Rural Development Board." The handling of debt adjustment and Government provision of credit to farmers thereby have been united into one agency.

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BOOK REVIEWS

Bauer, Walter. *Agricultural Credit in Germany.* Farm Credit Administration. Economic and Credit Research Division, Washington, D. C. June 1939.

Walter Bauer's study on "Agricultural Credit in Germany" gives, in a space of less than 100 pages, a very good survey of the manifold institutions which provide the German farmers with credit, and of the relation between the development of German agricultural policy in general and that of her agricultural credit policy in particular. The first part of the study deals with the general aspects of the German farm credit system, the second with the German approach to some of the technical problems implied.

The first two chapters of part one give a short description of the historical development and the credit policies of the different institutions providing mortgage credit for German farmers. The author rightly stresses that the satisfactory working of the German farm-mortgage system in the pre-war period was caused more by the favorable development of Germany's tariff-protected agriculture during that period than by the efficiency of the credit system itself. The inflation which followed the World War, made it difficult to obtain in the German capital market the funds for the long-term credits required by agriculture. An experiment of this period, doomed to fail, but interesting from the viewpoints of monetary and credit policy, was the issuance of bonds, the capital and interest of which were payable in German currency on the basis of the varying price of certain quantities of rye, the largest staple crop in Germany. The study gives a vivid description of the ups and downs, and the final breakdown of this experiment. In post-war Germany a rapid increase in farm indebtedness was brought about by several factors, among them the incidental fact that the stabilization of the German currency occurred after most of the farmers had sold their crop in a rapidly depreciating currency. The result was such distress to the farmer-borrowers that debt-relief measures became necessary, first in the eastern regions of Germany and then in the entire country. The adopted relief measures are described on pages 33 to 39; then follows a description of the Hereditary Farm Law enacted by the German Government in the fall of 1933, and of the ideological reasons given in the Nazi literature for this law, which abolished the individual property rights of about 700,000 farmers, made unsalable more than one-third of Germany's agricultural land, and destroyed the fundamentals of mortgage credit for the area in question. The author could have linked these two chapters together by pointing to the limited success which the German debt-adjustment measures had prior to 1933 because the farm-income situation had remained unsatisfactory. Actually these circumstances were the economic and probably the real reason for adopting that radical measure.

On pages 47-54 the study surveys briefly, but instructively, the German set-up for short- and medium-term farm credit. Particular consideration is given to the so-called Raiffeisen credit cooperatives, a kind of agricultural credit unions, which in Germany, as in Austria and Switzerland, developed to a very strong system which, out of the savings deposits it has accumulated, provides the German farmer with relatively cheap credits.

The second part of the study is confined to technical problems of farm-mortgage credit, and particularly to those of the "Landschaft" system which has attracted much interest, partly because it is the oldest mortgage bank system in the world, and partly because it is "traditionally termed cooperative." The author describes the advantages of this system, but points also to deficiencies which developed because the "Landschaften" did not adapt themselves in time to changing economic and financial conditions. As an example he quotes their lending policy in the beginning of this century and their bond-issuing policy in the period after the World War. It may be remarked that the slowness and insufficiency of the reorganization measures undertaken in the latter case have resulted in keeping the prices of the "Landschaft" bonds below those of the bonds of the joint-stock mortgage banks, the result of which was an increasing share of the joint-stock mortgage banks in agricultural credit.

On the whole Dr. Bauer's new publication is a source of very valuable information on the German methods of handling problems of farm credit, including appraisals, mortgage amortization, mortgage life insurance, mortgage charges, etc. The study also contains good statistical information and gives a short bibliography on the subject in question.

Oscar Zaglits, Agricultural Economist

Ackerman, Joseph, and Norton, L. J. *Factors Affecting Success of Farm Loans.* Illinois Agricultural Experiment Station Bulletin 468, pp. 459-527. Urbana, Illinois. August 1940.

This study, based upon a Ph.D. thesis, evaluates the influence of certain factors related to lending experience between 1917 and 1933 in 7 counties in east-central Illinois. Parts of three major type-of-farming areas - cash grain, mixed, and general farming, presenting soils of various types and productivity - were included. Applications and appraisal reports for 827 loans, personal observation of 103 foreclosure situations, land-use records for 1935 on 338 mortgaged farms, and financial records for 92 owner-operated farms, furnished information about the loans and lending experience.

Lending experience with 827 farm loans is analyzed in relation to physical characteristics of the farm property, factors of farm organization and management, and personal qualities of the farm operator. Soil productivity and topography appear to be more influential factors affecting loan experience than drainage or location. The safer risks on good land were the middle-size tracts, and on inferior land the smaller tracts. No very definite relationship was found between foreclosures and farm organization as evidenced in the principal type of crop grown, the number of dairy cows or poultry kept, or the value of the farm residence or other buildings. The appraisal reports indicated, however, that on delinquent and foreclosed farms the percentage of land in crops tended to be higher than on farms on which the loans were successful. Land-use records on 338 farms verified this conclusion and, in addition, indicated that the proportion of land in rotation was higher on farms where loans were successful than on those where loans were delinquent or foreclosed. Length of farming experience, age of borrower, and method by which the farm was obtained (except in the case of purchase, with no cash payment), proved relatively unimportant factors indicating success of farm loans. Because of changing trends in land values, appraised values, and amounts loaned per acre over the period studied, the time at which loans were made was a factor in their success. In all soil groups, foreclosures and losses were higher where loan ratios were high, indicating over-lending in relation to the value of land.

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The evidence presented points up the fact that "lenders should avoid lending too much in relation to the value of the land, particularly on the poor and more rolling lands." Obviously this means conservatism in the borrowed funds in those areas, for lending experience indicates that such land cannot carry heavy debt burdens. Facts drawn from investigating the foreclosure cases lead to the conclusion that lenders should give close attention to the borrower and his family at the first signs of delinquency, in order that the cause of the difficulty may be remedied and the security for the loan protected. Just how far this could go beyond "watching the situation closely" or "giving good advice and encouragement" is but hinted at in passing by mentioning the possibility of using a system of variable payments adjusted to fluctuations in farm income.

No statement is made defining the lender or group of lenders whose experience is the subject of the bulletin. This information seems essential. A section on the lending policy of various institutions during the period, insofar as subject to definition and description, would have been a valuable addition not only as a background for the study, but also as an indication of the extent to which these success factors might enter into present loan policy. Differences in farm organizations in 1935 between farms having heavy debts, light debts, or no debts, are shown in terms of groups and averages. In addition, the selection of several individual farm situations for detailed study might have brought out more realistically the effects of indebtedness on farm organization and land use.

Although the subject is approached from the point of view of the lender, there is much in the bulletin that should interest other groups as well.

Willard O. Brown, Assistant Agricultural Economist.

Murray, William G. *Farm Appraisal*. Iowa State College Press. Ames, Iowa. 1940. 254 pp.

The principles and methods of appraisal developed by Professor Murray in his book *Farm Appraisal* have been summarized in a number of other reviews.[1] This reviewer shares the favorable reaction of other reviewers with respect to the contribution this book makes in a relatively new field and believes that they have accurately reflected the contents of the book. It is therefore desired to confine present comments to points on which certain questions may be raised.

The organization of the material in Professor Murray's book is somewhat in the form of a manual of instruction, with the principles developed at each step of the procedure. The first part of the book deals with an inventory of the physical resources of the farm property and the second part with the translation of this inventory into a value. Except for the last chapter, both the basic information and the valuation techniques involved in appraisal are presented without specific reference to the particular purpose to be served by the appraisal. The final chapter makes clear that the preceding considerations apply to a generalized concept of appraisal and that different objectives have a bearing on the

[1]Mark M. Regan, Agricultural Economic Literature, Vol. 14, No. 8, Oct. 1940.
Stanley W. Warren, Journal of Farm Economics, Vol. XXII, No. 3, Aug. 1940.
S. W. Mendum, Land Policy Review, Vol. III, No. 3, May-June 1940.
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JAN 21 1941

emphasis to be placed on the factors which enter into the final value, but conveys, to this reviewer at least, the general impression that the basic appraisal procedure can be set up largely independent of the use to be made of the results.

Those interested in the broader issues of appraisal probably would desire that more attention be given at the outset to a coordinated treatment of basic appraisal principles, while those interested in appraisal techniques for specific purposes probably would wish for a further development of those principles dealt with in the final chapter of the book. There are differences of opinion regarding the usefulness of a generalized appraisal technique which is directed toward the determination of a defined value. Some would like to see more consideration given to the specific information required and the proper use of that information to answer such questions as how much a farmer is justified in paying for a farm, how much a lender is justified in lending, or how much of a given tax burden should be carried by a particular property. Only a part of the basic information outlined might be found pertinent to some such questions, and still other information might be needed for others. Moreover, in some cases it might be of little help to determine a value for the property. It might be more helpful for some purposes to analyze the basic information specifically in terms of the questions to be answered.

According to Professor Murray, "Valuation, which is the final step in appraisal, may be made by following the income method, the sales comparison method, or some combination of the two." Valuation using the first method is accomplished by the capitalization of the probable net annual income to the landlord, with some additional adjustments for elements of value not reflected in the monetary income. The sales comparison method is described as made up of two parts: "First the estimate of farm productivity, and second the use of actual sales prices of farms whose productivity is known as a base in valuation of the farm in question." What the author considers to be the "desirable solution" would be to use both methods, one as a check against the other, emphasis to be placed on one or the other depending primarily on the reliability of the information available.

Both of these methods of valuation involve present-value concepts. The capitalization process clearly attempts to measure the worth, at the moment, of probable future income, while sales values presumably are strongly influenced by the same factor. Some have expressed the opinion that capitalized normal income represents a value about which future sales values tend to fluctuate. But does not this assume that there will be no significant trend in such income and that the rate of capitalization will remain relatively constant? Assuming no change in the rate of capitalization, would not a trend in income either upward or downward mean that future value may be materially different from present value even though all factors determining future income and value are accurately reflected in present value? Moreover, may there not be a trend in the rate at which the expected future income is capitalized into value, and may not such a trend operate either to accentuate or to counteract the effect of the income trend on future value?

The usefulness, for a specific purpose, of the value arrived at by the methods proposed by Professor Murray merits some further consideration. A lending institution, for instance, is primarily concerned with the ability of the farm to produce monetary income sufficient to carry the charges incident to the loan, and with the sales value at some future date, since it may become necessary to take over the farm to recover the principal, accrued interest, and collection costs. For the purpose of determining a farm's ability to produce an adequate money income it would appear superfluous to attempt to arrive at a present value, as such value adds little to the forecast of income not obtainable from an analysis of income itself. Moreover, such value may give a false standard for loan policy, as it reflects incomes of a nonmonetary nature as well as

monetary income. On the other hand, if it is desired to estimate the future value of a farm, the analysis may need to be carried considerably beyond a current-value concept, as higher or lower future income tends to exert a greater influence on future value than on present value.

These comments are made not to detract from the excellence of Professor Murray's work but to suggest certain limitations of the general approach to appraisal problems and the need for clarifying certain basic issues involved in the development of appraisal principles for specific purposes. This field is one in which there are at present widely divergent views. The importance of sound application of land-valuation principles to specific business and governmental processes, including the training of a professional personnel to apply such principles, doubtless will receive through the publication of Professor Murray's book a much wider recognition than heretofore. This is a field of work deserving encouragement by all interested in the development of sound appraisal principles and techniques.

H. C. Larsen, Agricultural Economist.

LITERATURE ON AGRICULTURAL FINANCE*

Compiled in the Library
Bureau of Agricultural Economics
from
Agricultural Economics Literature, May 1940 - October 1940

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XUM

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STATISTICAL APPENDIX

Beginning with this issue, the Agricultural Finance Review will follow the policy of restricting the statistical appendix in the November issue to current data. The May issue, however, will continue to carry more complete tables showing comparative data for earlier years. The numbering of the tables below follows that of the May 1940 issue, although some of the tables which appeared in that issue have been omitted entirely. Numerical references to the footnotes will continue to be carried in the abbreviated tables, but the footnotes themselves will appear only in the previous May issue. Those not having the May issue may obtain copies by writing to the Bureau of Agricultural Economics.

Agricultural Credit: Page

Table 1. Farm-mortgage debt: Total outstanding and amounts held by selected lending agencies, United States, 1939-40 91

Table 2. Short-term loans to farmers held by selected lending agencies, 1939-40 91

Table 3. Loans to farmers' cooperative organizations held by selected lending agencies, United States, 1939-40 91

Table 4. Amount of Federal land bank and Land Bank Commissioner loans closed and estimated amount of farm mortgages recorded by other lenders, United States, 1939-40 92

Table 5. Federal land bank and Land Bank Commissioner loans: Amount outstanding, principal repayments, other deductions, and loans closed, by quarters, 1939-40 92

Table 6. Estimated amount of farm-mortgage loans outstanding, by States, 1910-40 92

Table 7. Farm real estate loans held by selected lending agencies, by States, Jan. 1, 1940 93

Table 8. Average rates of interest charged on farm-mortgage loans outstanding, by divisions, Jan. 1, 1910-39 93

Table 9. Estimated amount of interest charges payable on farm-mortgage loans outstanding, by divisions, 1910-38 93

Table 10. Agricultural loans held by insured commercial banks, by States, on specified dates, 1940 94

Table 11. Production credit association loans outstanding, by States, on specified dates, 1940 95

Table 12. Farm Security Administration loans outstanding, by type of loan and by States, June 30, 1940 95

Table 13. Tenant-purchase loans approved by Farm Security Administration: Number of borrowers, acreage, cost of properties, and amount of loans, by States, from organization to Jan. 1, 1940 96

Table 14. Rural Electrification Administration: Loans made, loans outstanding, and estimated number of rural users accommodated, Jan. 1, 1940, by States 96

Farm Taxation:

Tables 15, 16, and 17. Farm real estate tax levies: Amount per acre, index numbers of amount per acre, and amount per $100 of value, by States, 1939 96

Farm Insurance:

Table 18. Wheat crop insurance 97

Table 19. Advances to farmers by the Secretary of Agriculture out of payments to be earned under the Agricultural Conservation Program for payment of wheat crop insurance premiums ... 97

Other Related Data:

Table 20. Farm real estate: Index numbers of estimated value per acre, by States, selected years, 1912-40 97

Table 21. Farm real estate: Land transfers and values, United States, 1926-40 97

Table 22. Real estate, sheriffs' certificates, judgments, etc., acquired and held by the Federal land banks and the Federal Farm Mortgage Corporation, 1925-39 97

Table 23. Number of bankruptcies in the United States, 1929-39 97

Table 24. Farm debt adjustment activities, Sept. 1, 1935 to March 31, 1940 97

Table 25. Index numbers of demand deposits of country banks, 1939-40 97

Table 26. Cash farm income, indexes of prices paid by farmers, prices received by farmers, and rural retail sales, 1939-40 98

Table 27. Interest rates charged on new loans and discounts by institutions under the supervision of the Farm Credit Administration, 1933-40 98

Table 28. Bond yields and interest rates, 1939-40 98

XUM

Table 1.- *Farm-mortgage debt: Total outstanding and amounts held by selected lending agencies, United States, 1939-40*

Beginning of month	Total farm-mortgage debt	Amounts held by selected lending agencies						
		Federal land banks and Land Bank Commissioner 1	Joint stock land banks 2	Life insurance companies 3	Commercial banks 4	Three State credit agencies 5	Farm Security Administration	
							Construction of farmstead improvements	Tenant-purchase and development 6
	1,000 dol.	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
1939:								
Jan.	7,070,896	2,723,022	87,362	887,336	519,276	17,281	6,220	8,949
Apr.	-	2,682,112	82,837	-	-	-	6,220	14,985
July	-	2,646,191	78,511	-	530,628	-	6,108	23,244
Oct.	-	2,614,662	75,402	-	-	-	6,360	29,259
1940:								
Jan.	6,909,794	2,583,901	65,719	[11] 883,414	534,170	14,823	6,353	32,212
Apr.	-	2,556,482	61,052	-	-	-	6,617	40,500
July	-	2,537,805	55,060	-	548,341	-	6,798	50,653
Oct.	-	2,514,417	51,722	-	-	-	7,269	60,836

[11] Revised

Table 2.- *Short-term loans to farmers held by selected lending agencies, 1939-40*[1]

Beginning of month	Commercial banks 2	Agencies supervised by Farm Credit Administration					Farm Security Administration 5	Commodity Credit Corporation 6
		Federal intermediate credit banks 3	Production credit associations	Regional agricultural credit corporations	Emergency crop loans 4	Drought relief loans		
	1,000 dol.	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
1939:								
Jan.	1,064,667	33,545	148,037	11,081	116,725	54,764	209,808	[11] 308,951
Apr.	(7)	35,318	167,876	10,399	121,907	54,203	253,301	(7)
July	1,193,466	39,794	187,712	10,235	126,344	53,822	280,574	[11] 330,130
Oct.	(7)	37,645	174,032	9,127	122,163	53,504	280,271	[11] 191,379
1940:								
Jan.	1,094,392	33,354	154,496	8,005	115,775	52,555	276,223	173,027
Apr.	(7)	36,826	173,840	7,888	124,072	51,973	289,207	149,855
July	1,183,846	40,033	200,415	7,768	129,548	51,671	320,454	150,196
Oct.	(7)	40,902	194,558	7,010	126,522	51,384	319,997	274,726

Table 3.- *Loans to farmers' cooperative organizations held by selected lending agencies, United States, 1939-40*

Beginning of month	Agencies supervised by Farm Credit Administration			Rural Electrification Administration 1	Farm Security Administration 2	Commodity Credit Corporation
	Federal intermediate credit banks	Banks for cooperatives	Agricultural Marketing Act revolving fund			
	1,000 dol.	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*
1939:						
January ...	920	87,496	23,723	[3] 79,350	8,412	49,498
April	1,528	65,783	23,305	(4)	9,785	(4)
July	359	59,577	22,592	[3] 111,727	10,814	30,534
October ...	778	65,160	21,663	(4)	11,256	27,695
1940:						
January ...	1,835	76,252	20,547	169,122	11,550	26,812
April	1,754	69,311	19,763	(4)	12,672	21,234
July	897	62,177	18,200	205,886	13,355	18,895
October ...	352	73,132	15,739	(4)	14,278	19,087

Table 4.- *Amount of Federal land bank and Land Bank Commissioner loans closed and estimated amount of farm mortgages recorded by other lenders, United States, 1939-40*

Period	Loans closed [1]		Estimated amount of mortgages recorded by other lenders [2]					Total all lenders
	Federal land banks	Land Bank Commissioner	Individuals	Commercial banks	Insurance companies	Miscellaneous	Total	
	Million dollars	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*	*Million dollars*
1939								
Jan.- March	15.2	8.2	68.1	58.8	40.3	17.4	184.6	208.0
Apr.- June	[3]13.4	7.1	54.0	53.7	34.2	18.4	160.3	180.8
July- Sept.	[3]10.3	5.4	49.6	48.4	28.1	17.0	143.1	158.8
Oct.- Dec.	12.6	6.5	55.0	56.9	35.4	15.0	162.3	181.4
1940								
Jan.- March	17.0	9.3	63.4	60.1	47.8	20.8	191.6	217.9
Apr.- June	15.8	8.9	56.1	56.2	38.8	20.4	171.0	195.7
July- Sept.	14.6	8.6	-	-	-	-	-	-

Farm Credit Administration

Table 5.- *Federal land bank and Land Bank Commissioner loans: Amount outstanding, principal repayments, other deductions, and loans closed, by quarters, 1939-40*

FEDERAL LAND BANKS

Year and quarter	Loans outstanding beginning of quarter	Decreases in loans			Loans closed	Net change in outstanding loans	Loans outstanding end of quarter
		Principal repayments	Other deductions (net) [1]	Total			
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
1939							
Jan.- March	1,982,224	23,476	[2]13,574	[2]37,050	[2]15,183	-21,867	1,960,357
Apr.- June	1,960,357	21,352	[2]11,865	[2]33,217	[2]13,446	-19,771	1,940,586
July- Sept.	1,940,586	21,138	7,280	28,368	10,359	-18,009	1,922,577
Oct.- Dec.	1,922,577	26,485	4,031	30,516	12,594	-17,922	1,904,655
1940							
Jan.- March	1,904,655	26,707	4,529	31,236	17,013	-14,223	1,890,432
Apr.- June	1,890,432	20,677	5,202	25,879	15,855	-10,024	1,880,408
July- Sept.	1,880,408	14,933	13,508	28,441	14,730	-13,711	1,866,697

LAND BANK COMMISSIONER

1939							
Jan.- March	752,851	17,181	[2]10,288	[2]27,469	[2] 8,265	-19,204	733,647
Apr.- June	733,647	14,308	8,924	[2]23,232	[2] 7,207	-16,025	717,622
July- Sept.	717,622	14,975	4,208	19,183	5,400	-13,783	703,839
Oct.- Dec.	703,839	17,541	1,963	19,504	6,545	-12,959	690,880
1940							
Jan.- March	690,880	16,808	5,694	22,502	9,339	-13,163	677,717
Apr.- June	677,717	12,016	5,818	17,834	8,967	- 8,867	668,850
July- Sept.	668,850	11,558	7,000	18,558	8,725	- 9,833	659,017

Farm Credit Administration

Table 6.- *Estimated amount of farm-mortgage loans outstanding, by States, 1910-40*

(See table 2, p. 58. Also Agricultural Finance Review, Nov 1939, pp. 90-92.)

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Table 7. - *Farm real estate loans held by selected lending agencies, by States, Jan. 1, 1940*[1]

State and division	Federal land banks and Land Bank Commissioner [2]	Joint stock land banks [3]	Life insurance companies [4]	State and division	Federal land banks and Land Bank Commissioner [2]	Joint stock land banks [3]	Life insurance companies [4]
	1,000 dollars	*1,000 dollars*	*1,000 dollars*		*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Maine	10,020	0	1	Georgia	37,590	1,686	10,981
New Hampshire	2,087	0	0	Florida	17,011	0	800
Vermont	6,082	0	4	*South Atlantic*	*167,894*	*9,605*	*29,572*
Massachusetts	10,991	0	8				
Rhode Island	1,808	0	0	Kentucky	47,334	302	13,494
Connecticut	9,498	0	3	Tennessee	40,578	0	12,907
New England	*40,486*	*0*	*16*	Alabama	35,935	1,026	2,473
				Mississippi	33,888	621	23,480
New York	48,982	2,325	234	*East South Central*	*157,735*	*1,949*	*52,354*
New Jersey	13,677	377	169				
Pennsylvania	26,588	2,035	811	Arkansas	23,888	1,466	12,246
Middle Atlantic	*89,247*	*4,737*	*1,214*	Louisiana	24,166	189	6,785
				Oklahoma	50,188	795	25,923
Ohio	72,928	4,883	30,429	Texas	240,659	9,798	85,460
Indiana	88,941	10,089	55,566	*West South Central*	*338,401*	*12,198*	*130,414*
Illinois	174,920	6,726	103,782				
Michigan	69,948	896	3,056	Montana	26,952	189	2,220
Wisconsin	117,851	0	8,879	Idaho	35,457	14	6,791
East North Central	*524,588*	*22,094*	*201,712*	Wyoming	13,761	976	140
				Colorado	35,371	1,507	3,101
Minnesota	154,141	327	50,489	New Mexico	11,578	0	1,354
Iowa	254,228	4,966	197,516	Arizona	10,483	0	1,238
Missouri	57,234	1,775	50,097	Utah	19,733	(5)	371
North Dakota	88,617	39	4,050	Nevada	3,682	0	340
South Dakota	68,130	352	17,681	*Mountain*	*157,017*	*2,686*	*15,555*
Nebraska	147,578	1,460	44,322				
Kansas	127,352	2,124	53,319	Washington	39,896	304	14,190
West North Central	*897,280*	*11,043*	*417,974*	Oregon	36,129	1,103	7,189
				California	135,228	0	13,224
Delaware	1,242	0	27	*Pacific*	*211,253*	*1,407*	*34,603*
Maryland	11,248	299	2,281				
Virginia	33,082	1,226	3,575	*UNITED STATES*	*2,583,901*	*65,719*	*883,414*
West Virginia	10,467	517	602				
North Carolina	33,627	4,863	8,982				
South Carolina	23,627	1,014	2,324	Puerto Rico	11,634		

Table 8. - *Average rates of interest charged on farm-mortgage loans outstanding, by divisions, Jan. 1, 1910-39*

(See Agricultural Finance Review, May 1940, p. 73.)

Table 9. - *Estimated amount of interest charges payable on farm-mortgage loans outstanding, by divisions, 1910-38*

(See Agricultural Finance Review, May 1940, p. 74.)

Table 10.- *Agricultural loans held by insured commercial banks, by States, on specified dates, 1940*[1]

State and division	Farm real estate loans		Personal and collateral loans[2]	
	January 1	July 1	January 1	July 1
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Maine	1,766	1,698	1,773	1,754
New Hampshire	598	627	808	948
Vermont	7,748	8,161	2,809	3,088
Massachusetts	1,322	1,301	1,764	2,067
Rhode Island	283	241	81	104
Connecticut	1,352	1,370	1,755	1,597
New England	*13,019*	*13,398*	*8,990*	*9,553*
New York	15,883	15,210	29,837	31,389
New Jersey	4,366	4,501	5,407	6,343
Pennsylvania	25,388	26,098	18,017	19,334
Middle Atlantic	*45,637*	*45,809*	*53,261*	*57,066*
Ohio	39,921	40,599	27,125	28,564
Indiana	21,704	22,394	27,841	31,592
Illinois	23,814	23,925	75,766	100,913
Michigan	14,452	15,277	17,391	19,846
Wisconsin	23,581	24,643	20,870	24,919
East North Central	*123,472*	*126,838*	*168,993*	*205,834*
Minnesota	19,226	19,852	61,863	69,798
Iowa	44,260	46,004	91,271	136,990
Missouri	19,011	19,621	59,105	53,730
North Dakota	1,388	1,285	18,326	10,507
South Dakota	1,939	2,078	21,334	23,094
Nebraska	7,511	7,736	54,270	54,458
Kansas	10,571	10,786	49,257	47,190
West North Central	*103,906*	*107,362*	*355,426*	*395,767*
Delaware	3,312	3,414	421	622
Maryland	9,903	9,977	4,302	4,344
Dist. Columbia	94	101	20	2
Virginia	16,619	16,639	11,657	14,920
West Virginia	5,441	5,651	2,581	3,161
North Carolina	8,481	8,948	4,474	11,081
South Carolina	1,689	1,682	2,571	6,226
Georgia	6,868	7,306	12,104	17,142
Florida	2,864	2,783	4,516	3,848
South Atlantic	*55,211*	*56,501*	*42,646*	*61,346*
Kentucky	22,535	23,680	15,042	16,288
Tennessee	11,824	12,447	48,648	35,988
Alabama	4,822	5,301	16,876	21,813
Mississippi	8,159	8,477	9,758	13,882
East South Central	*47,340*	*49,905*	*90,324*	*87,971*
Arkansas	3,503	3,655	17,894	19,752
Louisiana	6,069	6,427	17,787	16,627
Oklahoma	4,224	4,321	32,463	35,711
Texas	11,322	11,228	99,402	102,525
West South Central	*25,118*	*25,631*	*167,546*	*174,615*
Montana	949	1,046	17,776	13,086
Idaho	1,144	1,315	12,065	10,889
Wyoming	904	991	12,732	13,475
Colorado	2,274	2,551	25,345	21,606
New Mexico	484	543	6,448	7,721
Arizona	1,046	870	10,186	9,414
Utah	2,822	3,020	9,359	9,606
Nevada	387	380	1,521	1,590
Mountain	*10,010*	*10,716*	*95,432*	*87,387*
Washington	4,762	4,780	17,841	17,406
Oregon	2,224	2,061	11,819	12,629
California	103,471	100,340	82,114	74,272
Pacific	*110,457*	*107,181*	*111,774*	*104,307*
UNITED STATES	*534,170*	*543,341*	*1,094,392*	*1,183,846*
Possessions 3	103	114	7	7
GRAND TOTAL	*534,273*	*543,455*	*1,094,399*	*1,183,853*

Table 11.- *Production credit association loans outstanding, by States, on specified dates, 1940*

State and division	Jan. 1	July 1
	1,000 dollars	*1,000 dollars*
Maine	774	838
New Hampshire	176	200
Vermont	1,084	1,071
Massachusetts	614	765
Rhode Island	478	898
Connecticut	1,368	1,435
New England	*4,484*	*4,702*
New York	5,372	6,657
New Jersey	1,400	1,666
Pennsylvania	2,692	2,988
Middle Atlantic	*9,464*	*11,311*
Ohio	6,580	6,738
Indiana	7,032	7,285
Illinois	9,553	9,094
Michigan	2,288	2,374
Wisconsin	5,593	5,969
East North Central	*31,046*	*31,410*
Minnesota	5,684	5,428
Iowa	4,588	3,708
Missouri	5,776	6,610
North Dakota	772	916
South Dakota	2,989	3,087
Nebraska	3,827	4,066
Kansas	2,692	3,152
West North Central	*26,278*	*26,962*
Delaware	190	280
Maryland	1,543	1,673
Dist. Columbia	-	-
Virginia	2,112	2,698
West Virginia	826	938
North Carolina	1,091	6,665
South Carolina	597	4,817
Georgia	2,037	6,209
Florida	3,486	2,985
South Atlantic	*11,882*	*25,765*
Kentucky	3,644	4,025
Tennessee	3,292	4,123
Alabama	1,658	3,234
Mississippi	1,650	7,469
East South Central	*10,244*	*18,851*
Arkansas	1,651	4,911
Louisiana	1,662	4,761
Oklahoma	3,124	4,315
Texas	12,027	16,264
West South Central	*18,464*	*30,251*
Montana	7,153	8,881
Idaho	5,079	5,184
Wyoming	1,942	2,506
Colorado	4,084	5,372
New Mexico	2,487	3,321
Arizona	1,785	1,820
Utah	1,892	2,268
Nevada	1,190	1,304
Mountain	*25,612*	*30,656*
Washington	2,319	2,569
Oregon	4,990	5,979
California	8,642	10,763
Pacific	*15,951*	*19,311*
UNITED STATES	*153,425*	*199,219*
Puerto Rico	1,071	1,196
Grand total	*154,496*	*200,415*

Table 12.- *Farm Security Administration loans outstanding by type of loan and by States, June 30, 1940* [1]

State and division	Loans to individuals			Loans to cooperatives
	Rural rehabilitation	Construction of farmstead improvements	Tenant purchase and development	
	1,000 dollars	*1,000 dollars*	*1,000 dollars*	*1,000 dollars*
Maine	4,215	82	28	3
New Hampshire	887	0	16	98
Vermont	882	0	32	0
Massachusetts	506	0	21	0
Rhode Island	157	0	4	0
Connecticut	380	0	26	0
New England	*6,927*	*82*	*127*	*101*
New York	4,117	157	287	194
New Jersey	1,165	0	136	333
Pennsylvania	2,797	66	593	695
Middle Atlantic	*8,079*	*223*	*1,016*	*1,222*
Ohio	6,923	127	1,368	0
Indiana	5,568	46	1,244	102
Illinois	7,038	4	2,116	0
Michigan	5,763	31	822	106
Wisconsin	8,389	12	565	58
East North Central	*33,681*	*220*	*6,115*	*266*
Minnesota	10,650	68	1,545	4
Iowa	7,871	0	2,439	15
Missouri	13,735	53	2,252	171
North Dakota	10,872	12	414	274
South Dakota	15,284	18	406	49
Nebraska	13,115	0	948	155
Kansas	11,213	53	869	61
West North Central	*81,690*	*194*	*8,868*	*729*
Delaware	123	0	38	0
Maryland	759	0	184	0
Dist. Columbia	1	0	0	0
Virginia	3,585	0	1,219	77
West Virginia	3,024	0	424	2,550
North Carolina	6,120	508	2,358	1,175
South Carolina	7,292	82	1,878	128
Georgia	14,658	186	3,167	165
Florida	5,578	130	232	15
South Atlantic	*41,135*	*906*	*9,495*	*4,110*
Kentucky	3,848	224	1,804	0
Tennessee	2,748	117	2,212	1,100
Alabama	15,168	266	2,809	992
Mississippi	12,103	793	2,579	579
East South Central	*33,867*	*1,400*	*9,404*	*2,671*
Arkansas	13,547	1,263	2,373	1,436
Louisiana	7,443	180	1 472	1,340
Oklahoma	14,475	202	2,906	0
Texas	25,010	479	6,187	573
West South Central	*60,475*	*2,124*	*12,938*	*3,349*
Montana	8,094	852	287	280
Idaho	5,340	184	274	3
Wyoming	7,081	18	83	13
Colorado	10,769	337	517	21
New Mexico	3,291	0	177	41
Arizona	1,278	0	80	253
Utah	4,036	34	88	101
Nevada	461	0	18	25
Mountain	*40,350*	*1,425*	*1,474*	*737*
Washington	4,892	120	277	0
Oregon	3,372	104	272	7
California	5,855	0	667	113
Pacific	*14,119*	*224*	*1,216*	*120*
UNITED STATES	*320,323*	*6,798*	*50,653*	*13,305*
Possessions [2]	130	0	842	50

Farm Security Administration

Table 13. - *Tenant-purchase loans approved by Farm Security Administration: Number of borrowers, acreage, cost of properties, and amount of loans, by States, from organization to Jan. 1, 1940*

(See Agricultural Finance Review, May 1939, p. 89; Nov. 1939, p. 97; and May 1940, p. 78.)

Table 14 - *Rural Electrification Administration: Loans made, loans outstanding, and estimated number of rural users accommodated, by States, Jan. 1, 1940*

(See Agricultural Finance Review, May 1938, p. 78; Nov. 1938, p. 107; May 1939, p. 86; Nov. 1939, p. 98; and May 1940, p. 79.)

Tables 15, 16, and 17. - *Farm real estate tax levies: Amount per acre, index numbers of amount per acre, and amount per $100 of value, by States, 1939*

State and division	Taxes per acre		Taxes per $100 of value 2	State and division	Taxes per acre		Taxes per $100 of value 2
	Amount	Index[1] (1909-13= 100)			Amount	Index[1] (1909-13= 100)	
	Dollars	*Percent*	*Dollars*		*Dollars*	*Percent*	*Dollars*
Maine	.79	280	2.57	South Carolina	.27	205	1.00
New Hampshire	.71	226	2.15	Georgia	.14	128	.72
Vermont	.46	222	1.59	Florida	.42	390	.75
Massachusetts	2.32	287	1.94	*South Atlantic*	*.28*	*232*	*.84*
Rhode Island	1.58	347	1.35				
Connecticut	1.64	340	1.18	Kentucky	.30	197	.77
New England	*1.04*	*279*	*1.75*	Tennessee	.40	289	1.16
				Alabama	.20	230	.96
New York	1.11	268	1.94	Mississippi	.38	280	1.72
New Jersey	2.60	362	2.02	*East South Central*	*.32*	*249*	*1.10*
Pennsylvania	.98	201	1.65				
Middle Atlantic	*1.13*	*244*	*1.82*	Arkansas	.28	191	1.22
				Louisiana	.32	216	.96
Ohio	.68	146	1.04	Oklahoma	.24	128	1.00
Indiana	.53	101	.86	Texas	.14	246	.69
Illinois	.95	239	1.12	*West South Central*	*.18*	*190*	*.83*
Michigan	.45	103	.91				
Wisconsin	.92	270	1.71	Montana	.09	146	1.04
East North Central	*.74*	*172*	*1.13*	Idaho	.49	210	1.48
				Wyoming	.06	170	.93
Minnesota	.68	291	1.56	Colorado	.20	185	1.25
Iowa	1.04	259	1.31	New Mexico	.05	256	.92
Missouri	.34	245	1.06	Arizona	.23	361	2.34
North Dakota	.27	192	1.76	Utah	.44	293	1.63
South Dakota	.24	190	1.57	Nevada	.21	329	1.68
Nebraska	.34	214	1.12	*Mountain*	*.15*	*182*	*1.34*
Kansas	.40	214	1.27				
West North Central	*.46*	*229*	*1.34*	Washington	.23	81	.56
				Oregon	.35	237	1.20
Delaware	.49	199	.80	California	.78	220	.98
Maryland	.78	207	1.28	*Pacific*	*.53*	*183*	*.94*
Virginia	.26	239	.67				
West Virginia	.15	131	.54				
North Carolina	.38	478	.98	*UNITED STATES*	*.39*	*190*	*1.16*

Table 18. - *Wheat crop insurance*

(See Table 1, p. 70. Also Agricultural Finance Review, Nov. 1939, p. 102, and May 1940, p. 83.)

Table 19. - *Advances to farmers by the Secretary of Agriculture out of payments to be earned under the Agricultural Conservation Program for payment of wheat crop insurance premiums*

(See Agricultural Finance Review, May 1940, p. 84.)

Table 20. - *Farm real estate: Index numbers of estimated value per acre, by States, selected years, 1912-40*

(See Agricultural Finance Review, May 1940, p. 85.)

Table 21. - *Farm real estate: Land transfers and values, United States, 1926-40*

(See Agricultural Finance Review, May 1940, p. 86.)

Table 22. - *Real estate, sheriffs' certificates, judgments, etc., acquired and held by the Federal land banks and the Federal Farm Mortgage Corporation, 1925-39*

(See Agricultural Finance Review, May 1940, p. 86.)

Table 23. - *Number of bankruptcies in the United States, 1928-39*

(See Agricultural Finance Review, May 1940, p. 86.)

Table 24. - *Farm debt adjustment activities, Sept. 1, 1935 to March 31, 1940*

(See Agricultural Finance Review, May 1939, p. 91, and May 1940, p. 87.)

Table 25. - *Index numbers of demand deposits of country banks, 1939-40*[1]
(Index 1924-29 = 100)

Year and month	Twenty leading agricultural States[2]		Seven Corn Belt States [3]	Eight cotton-growing States [4]	Eight range States [5]
	Unadjusted	Adjusted for seasonal variations			
1939					
January	108.3	106.4	119.4	111.4	114.5
February	107.7	106.2	118.5	109.8	111.1
March	107.8	106.8	119.9	108.7	109.9
April	108.4	108.5	120.8	109.3	110.2
May	107.5	109.0	120.1	107.1	111.5
June	108.0	110.7	120.8	105.2	110.4
July	108.5	111.5	120.6	102.7	110.4
August	109.0	111.8	120.6	102.6	111.7
September	112.1	112.6	124.2	106.7	115.5
October	114.2	112.1	126.1	111.1	120.0
November	115.8	113.4	126.9	115.5	125.4
December	116.5	114.9	127.4	117.2	127.7
1940					
January	117.8	115.7	130.9	115.6	123.1
February	118.8	117.2	132.5	115.9	121.0
March	118.6	117.5	133.0	115.7	122.8
April	118.6	118.7	132.9	116.6	122.4
May	118.3	120.0	132.3	114.6	122.8
June	117.9	120.8	132.8	110.4	120.6
July	118.1	121.4	133.4	106.8	118.2
August	118.8	121.8	134.2	107.4	119.1
September	122.2	122.7	138.0	111.5	124.8
October	125.3	123.0	139.9	117.9	130.5

Table 26.- *Cash farm income, indexes of prices paid by farmers, prices received by farmers, and rural retail sales, 1939-40*

Year and month	Cash farm income[1]	Prices paid by farmers (1910-14 = 100)	Prices received by farmers (Aug. 1909-July 1914 = 100)	Rural retail sales[2] (1929-31 = 100)
	Million dollars	*Percent*	*Percent*	*Percent*
1939				
January ..	634	120	94	120
February .	526	120	92	124
March	612	120	91	131
April	568	120	89	131
May	608	120	90	131
June	583	120	89	132
July	641	120	89	125
August ...	717	119	88	131
September	901	122	98	125
October ..	1,042	122	97	123
November .	884	122	97	123
December .	801	122	96	132
1940				
January ..	743	122	99	134
February .	643	[4]122	101	132
March	[4]604	[4]123	97	137
April	[4]627	123	98	125
May	620	123	98	134
June	587	123	95	138
July	708	122	95	132
August ...	749	[3]122	96	146
September	908	[3]122	[3]97	128
October ..	[3]1,125	[3]122	[3]99	122

[4]Revised.

Table 27.- *Interest rates charged on new loans and discounts by institutions under the supervision of the Farm Credit Administration, 1933-40*

(See Agricultural Finance Review, May 1940, p. 89.)

AGRICULTURE AND APPLIED ECONOMICS LIBRARY JAN 21 1941 MANHATTAN

Table 28.- *Bond yields and interest rates, 1939-40*

Year and month	Yield on long-term Federal farm loan bonds[1]	United States Government bonds 2	Industrials[3]	Rates on commercial paper (4-6 mo. av.) 4	Federal reserve bank discount rates, New York[4]
	Percent	*Percent*	*Percent*	*Percent*	*Percent*[5]
1939					
March	[6]1.82	2.34	3.29	.56	1
June	[6]1.49	2.13	[6]3.23	.56	1
September	[6]2.79	2.65	[6]3.57	[6].69	1
December .	1.77	2.35	3.21	.56	1
1940					
March	1.83	2.25	3.09	.56	1
June	2.07	2.39	3.25	.56	1
September	1.64	2.18	3.10	.56	1

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LIST OF REPORTS IN PREVIOUS ISSUES OF THE AGRICULTURAL FINANCE REVIEW

Vol. 1, No. 1:

*Farm-Mortgage Indebtedness Shows Further Decline.

*Agricultural Loans of Commercial Banks Continue to Increase.

*Farmers' Mutual Fire Insurance - New Developments.

*Crop Insurance for Wheat.

*Merchant Credit Problems Involved in Specialized Crop Production.

*Research in Country Banking.

*The Farmers' Present Tax Situation.

*Trends of Farm-Mortgage Interest Rates.

Real Estate Operations of the Federal Land Banks.

Farm-Mortgage Loans by Federal Land Banks and Land Bank Commissioner Decrease.

Loan Operations of Commodity Credit Corporation.

Federal Housing Administration to Insure Farm Mortgage Loans.

Vol. 1, No. 2:

The Credit Outlook for 1939.

*Progress in Government Crop Insurance.

*Trend of Farm-Mortgage Indebtedness Continues Downward in 1937.

*Loan Policies of Country Banks as Influenced by Type of Investment Holdings.

*Trend and Present Status of Rural Tax Delinquency.

*Average Size of Farm-Mortgage Loans Recorded, 1917-35

*Number and Percentage of Farms Under Mortgage.

Cost of Farmers' Mutual Fire Insurance.

Demand Deposits of Country Banks.

Agricultural Loans of Commercial Banks.

Federal Land Bank and Land Bank Commissioner Loan Activity Decreases.

Farm-Mortgage Loans of Life Insurance Companies.

Farm Real Estate Holdings of Leading Lending Agencies.

Vol. 2, No. 1:

*Land Tax Delinquency and Land Use.

*The Financing of Farm Electrification.

*Tax Preference for Homesteads.

*The Application of Crop Insurance to Cotton.

*Progress of the Federal Wheat Crop-Insurance Program.

*Short-Term Credit Developments.

Fewer Farmer Bankruptcies in 1938.

Farm Real Estate Values Show Slight Decline During Past Year.

Farm Real Estate Tax Series.

Decrease Continues in New and Outstanding Loans of the Federal Land Banks and Land Bank Commissioner.

Farm Debt-Adjustment Activity Since September 1, 1935.

Vol. 2, No. 2:

The Agricultural Credit Outlook for 1940.

**Fluctuations in Outstanding Farm-Mortgage Debt, 1910-39.

*Interest Rates on Farm-Mortgage Loans in Foreign Countries.

*Tenant-Purchase Program.

Commercial Banks Continue to Expand Loans to Farmers.

Demand Deposits of Country Banks at Record Levels.

Loan Operations of the Commodity Credit Corporation

Small Decline in Farm Real Estate Holdings of Leading Lending Agencies in 1938.

Federal Land Bank and Land Bank Commissioner Loans.

Farm-Mortgage Holdings of Life Insurance Companies Show Little Change.

Farm-Debt Adjustment Activity Continues in Substantial Volume.

Farm Real Estate Tax Situation.

Land Sale Contracts Utilizing Crop Insurance Protection.

Federal Wheat Crop Insurance.

Vol. 3, No. 1:

**Regional Trends of Farm-Mortgage Interest Rates.

*Some Problems in Connection with Crop Insurance for Citrus Fruits.

**Farm Security Clients Insure Livestock.

*Lender Distribution of Farm-Mortgage Recordings, 1910-39

Farm Real Estate Values Show Small Rise During Past Year.

Federal Wheat Crop Insurance

Farm Debt Adjustment Continues.

New Data on Farm Mortgages and Farm Real Estate of Life Insurance Companies.

Rural Electrification Loans.

Short-Term Loans to Farmers Held by Commercial Banks and Federal Agencies.

Percentage of Federal Land Bank and Land Bank Commissioner Loans Used to Refinance Indebtedness Slightly Lower in 1939 than in 1938.

Farmer Bankruptcies Continue to Decline.

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